







Commonwealth of Massachusetts.

ANNUAL REPORT

OF THE

BANK COMMISSIONERS.

DECEMBER, 1852.

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1853.

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BANK COMMISSIONERS.

To Hon. AMASA WALKER, Secretary of the Commonwealth:—

The Bank Commissioners, appointed by authority of the Act of May 8, 1851, have the honor to submit the following as their Second Annual Report:—

In conformity with the requirements of the Act referred to, the Commissioners, since the date of their last Annual Report, have examined eighty-seven banks of discount and circulation, and twenty-one institutions for savings or savings banks. The whole number of the former, now in operation in the Commonwealth, is one hundred and thirty-seven, including the Manufacturers' Bank, at Georgetown, (whose charter has not been renewed, and which is engaged in closing its business with great success;) and the whole number of savings banks in operation, so far as we are advised, is fifty-four; in all, one hundred and ninety-one institutions. Of these, twenty-seven banks of discount and twenty-seven savings banks were examined before the date of our Report of December 29, 1851. The whole number of institutions examined by the Commissioners since their appointment, is one hundred and sixty, some of which have been visited twice. The number remaining to be examined is thirty-one, of which twenty-five are banks of discount, and six are savings banks. It is the duty of the Commissioners to complete the examination of all the banks and

savings institutions of the Commonwealth within the term of two years from May 13, 1851.

At the session of the General Court in 1851, seven new banks were established, viz. :—

Two in Boston, with a capital of	-	-	-	\$750,000
Five out of Boston, with a capital of	-	-	-	500,000
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				\$1,250,000

The capital of all the above banks was duly paid in, within a year from the date of their incorporation.

At the same session, twenty-seven banks were authorized to make additions to their capital stock, viz. :—

Eight banks in Boston, to the amount of	-	\$2,150,000
Nineteen banks out of Boston, to the amount of		1,735,000
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		\$3,885,000

The whole amount of this increased capital was paid in, within the period prescribed by statute, with the exception of \$30,000, not called in by the Warren Bank at Danvers, which was authorized to add twice that amount to its capital.

No new bank was established, nor was any existing bank authorized to make additions to its capital stock, at the last session of the General Court. No corporation has been formed, for the purpose of carrying on the business of banking, under the authority of the Act of May 24, 1851, entitled "An Act to authorize the business of banking"—known as the Free Banking Law.

The present capital of banks, paid in, is as follows :—

Thirty-two banks in Boston, -	-	-	-	\$24,660,000
One hundred and five out of Boston, -	-	-	-	18,610,500
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				\$43,270,500

The banks of discount and circulation visited by the Commissioners during the past year, their location and date of examination, appear in the following tabular statement :—

Banks visited by the Commissioners—1852.

Counties.	Cities or Towns.	Names of Banks.	First day of Examination.
SUFFOLK.	Boston, . .	Columbian,	Jan. 8
	" . . .	Market,	" 12
	" . . .	Cochituate,	" 16
	" . . .	" (second visit,)	March 6
	" . . .	Atlas,	Jan. 21
	" . . .	Shoe and Leather Dealers',	" 26
	" . . .	Exchange,	" 29
	" . . .	Traders',	Feb. 3
	" . . .	Faneuil Hall,	" 9
	" . . .	Boston,	" 12
	" . . .	State,	" 16
	" . . .	Boylston,	" 23
	" . . .	Mechanics',	" 26
	" . . .	Union,	March 3
	" . . .	Blackstone,	" 8
	" . . .	Grocers',	" 11
	" . . .	Tremont,	" 16
	" . . .	Granite,	April 15
	" . . .	City,	Oct. 19
	" . . .	North,	" 25
ESSEX.	" . . .	Massachusetts,	Nov. 17
	" . . .	Suffolk,	Dec. 7
	Beverly, . .	Beverly,	April 1
	Salem, . . .	Salem,	" 2
	Lynn, . . .	Lynn Mechanics',	" 23
	Salem, . . .	Mercantile,	" 28
	Danvers, . .	Warren,	" 30
	Andover, . .	Andover,	May 20
	Haverhill, .	Essex,	June 10
	" . . .	Merrimack,	" 11
	Lawrence, .	Bay State,	June 25
	Marblehead, .	Marblehead,	July 21
	" . . .	Grand,	" 22
	Gloucester, .	Gloucester,	" 23
	Danvers, . .	Danvers,	Sept. 6
	" . . .	Village,	" 7
	Salisbury, .	Powow River,	" 9
	Haverhill, .	Haverhill,	Oct. 12
	Salem, . . .	Asiatic,	" 14
MIDDLESEX.	Newburyport, .	Merchants',	Nov. 3
	Cambridge, .	Cambridge Market,	March 22
	Newton, . .	Newton,	" 23
	Brighton, . .	Bank of Brighton,	" 24
	Malden, . .	Malden,	" 30
	Cambridge, .	Cambridge,	April 20
	" . . .	Charles River,	" 26
	Waltham, . .	Waltham,	June 16
	Concord, . .	Concord,	" 17
	Lowell, . .	Railroad,	" 18
	" . . .	Prescott,	" 23
	" . . .	Appleton,	" 24
	Framingham, .	Framingham,	" 28
	Lowell, . .	Lowell,	July 9

BANKS, ETC.—CONTINUED.

Counties.	Cities or Towns.	Names of Banks.	First day of Examination.
WORCESTER.	Fitchburg, .	Fitchburg,	June 3
	“ .	Rollstone,	“ 5
	Worcester, .	Citizens',	“ 29
	Lancaster, .	Lancaster,	July 1
	Blackstone, .	Worcester County,	Sept. 30
	Uxbridge, .	Blackstone,	Oct. 1
	Worcester, .	Mechanics',	“ 6
	Milford, .	Milford,	“ 8
FRANKLIN.	Greenfield, .	Greenfield,	June 1
	“ .	Franklin County,	Aug. 12
HAMPSHIRE.	Holyoke, .	Hadley Falls,	“ 10
	Northampton, .	Northampton,	“ 11
HAMPDEN.	Westfield, .	Westfield,	“ 14
	Springfield, .	Springfield,	Nov. 9
	“ .	Agawam,	“ 10
BERKSHIRE.	“ .	John Hancock,	“ 12
	Pittsfield, .	Agricultural,	Aug. 16
	North Adams, .	Adams,	“ 17
NORFOLK.	Quincy, .	Quincy Stone,	April 5
	Randolph, .	Randolph,	“ 6
	Weymouth, .	Union Bank of Weymouth & Braintree,	“ 10
	Dorchester, .	Blue Hill,	“ 21
	Dedham, .	Dedham,	Sept. 28
BRISTOL.	Wrentham, .	Wrentham,	April 22
	Taunton, .	Taunton,	May 4
	Fall River, .	Fall River,	“ 5
	“ .	Massasoit,	“ 6
	New Bedford, .	Bedford Commercial,	July 14
	“ .	Mechanics',	“ 16
PLYMOUTH.	Fairhaven, .	Fairhaven,	Sept. 22
	Attleborough, .	Attleborough,	“ 29
	Abington, .	Abington,	April 9
	Plymouth, .	Old Colony,	“ 13
BARNSTABLE.	Hingham, .	Hingham,	Sept. 16
	Falmouth, .	Falmouth,	“ 23

The foregoing banks, being eighty seven in number, are situated in twelve different counties, comprising all in the Commonwealth, except Nantucket and Dukes, in the last of which there is no bank. The banks have been visited by the Commissioners, without previous notice to their officers, so that no opportunity was afforded for any special preparation for the examination. The officers having the immediate charge of the institutions were, with the exception of a single individual, sworn or affirmed to the truth of their statements, as authorized by the statute; and the Commissioners take pleasure in

stating that the officers of banks generally have rendered every desirable aid to facilitate the investigations, which have been as thorough and satisfactory as the nature of the case seemed to require.

The results of the examinations of the year, embracing institutions in almost every section of the Commonwealth, indicate, with an approximation to accuracy, the general condition of the banks of Massachusetts. The "general conduct and condition" of the banks examined have been, with some qualifications, satisfactory to the Commissioners, profitable to stockholders, and useful to the community.

The examinations, however, have disclosed facts and practices, some of which are similar to those to which we adverted in our former Report; and which are regarded by the Commissioners as of sufficient importance to require some comment at the present time.

The practice of banks borrowing money of each other upon interest is still continued. The opinion has been expressed, by the last and present Board of Commissioners, that the practice is objectionable. The balances due from one bank to another may, by the 57th section of the 36th chapter of the Revised Statutes, lawfully draw interest; but we suppose that the balances referred to are regarded as those which accrue in the ordinary course of business, and not those created by a bank withdrawing its ordinary balances from one institution and placing them with another, tempted by a higher rate of interest, and with an understanding or agreement that the same shall remain for a specific time. The bank which cannot sustain a high loan without a resort to borrowing from other institutions, is likely to be weakened by a withdrawal of its deposits at the very moment when it needs the greatest strength. A bank which lends its deposits for a specific time to another bank, may find itself unable, in a time of pressure, to meet the calls of its depositors and to afford the proper accommodation to customers in its own neighborhood, who have a right to expect it.

"Dividends of the profits of the banks may be made by the

directors, every six months." These dividends are frequently made by banks when there has been no previous examination made by the directors, and upon the exhibit of the cashier or president of the institution. We think this should never be done. According to the cashiers of the banks of Massachusetts the highest praise for integrity and ability, we think the statute never contemplated that the directors should make dividends upon statements made to them without such an examination as would enable them to judge of their accuracy.

There have been many instances of dividends of profits made by banks whose accounts show losses of capital greater in amount than the profits divided. This evil has, to a very considerable extent, been corrected, and we take pleasure in stating that several institutions, at the suggestion of the Commissioners, have omitted dividends, and applied their earnings to meet their losses in former years. The effects of such a policy have been most salutary upon the interests of such banks. The attention of stockholders is arrested; the directors are prompted to greater energy in disposing of their suspended paper; the banks acquire greater strength, and public confidence in their management is increased.

The 8th section of the 36th chapter of the Revised Statutes contains the following clause—"No loan or discount shall be made, nor shall any bill or note be issued by such bank, or by any person on its account, in any other place than at its banking house." The practices of some banks approach very nearly to a violation of this provision of law. Banking institutions have a locality to which their operations are designed to be confined. It is a perversion of such design, if the officers are sent into the money market in other places in pursuit of paper which, under the form of exchange, will give a higher rate of interest than it would be prudent for them to exact of the business community in their own neighborhood; it is an interference with the rights and interests of other banks, and the practice is frequently attended with loss on account of ignorance of the true character of the paper. The increased facilities of communication have a tendency to concentrate business

in the metropolis. Managers of banks in the country, established for local convenience, should be at all times aware that to discount paper, receive checks, and exchange their bills through an agency in the city, is an infringement upon the foregoing statute. These remarks more particularly apply to the operations of banks within the Commonwealth.

There are cases also, which have not been unobserved, of loans to parties in distant States, not based upon business transactions, which have been obtained upon plausible representations of the ability of the borrowers to meet their engagements, and with a view to extend the circulation. Paper thus inconsiderately taken, is frequently not paid at maturity; renewals are submitted to; the object originally sought is defeated; and serious losses close the operation. There is a broad distinction between cases of the above description and those which are founded upon actual business transactions in other States, which are attended by the incidental advantages of an extended circulation.

Instances have occurred also of loans by banks in this State, with a small amount of local business, to banks without our limits, whose stocks are pledged to secure the redemption of their own issues, and whose profits are derived, in the cases referred to, from the higher rate of legal interest in other States. Limited by a stringent law in the amount of bills of their own banks which they are permitted to circulate, the deficiency is sometimes supplied by banks of this State. This may quite appropriately be a subject for consideration by the legislatures of other States, where a foreign currency is thrown among them, not enjoying the same specific protection which is given to their own; and it is not to be concealed that Massachusetts can have no desire to establish banks to furnish a currency for other States, especially if the policy has a tendency to weaken its own.

Overdrafts have ceased to be regarded with favor by banks generally. Cases, however, do occur occasionally, sometimes by inadvertence, but they are rarely permitted. They should never be allowed. A system of overdrafts may, as experience

has shown, aid in the commission of a fraud, or the concealment of a defalcation. In a bank where a system of overdrafts is sanctioned by the directors, an honest bookkeeper may fail to detect seasonably the default of a cashier or teller, who has omitted to credit deposits to the party making them, especially if he should inform the bookkeeper that the checks properly drawn against such deposits are overdrafts. If the depositors, in all banks, would make it an inflexible rule that their pass-books should be written up and settled monthly, and if directors should require this rule to be carefully observed, it would tend to diminish the opportunities for fraud or losses which may grow out of its neglect.

In our last Report, we remarked at some length on the subject of liabilities of directors. The Act of April 25, 1838, has the following provision:—

“No bank shall have due to it, at any time, after the first Monday in October next, either directly or indirectly, from any one of its directors or officers, or from any partnership of which any director or officer is a member, as principal, surety or indorser, upon notes, checks, drafts or other security, a sum greater than eight per cent., or more than forty thousand dollars, or from its whole board of directors, a sum greater than thirty per cent. of its whole capital stock, unless the stockholders, at a legal meeting, shall, by express vote, authorize a greater sum; and no vote shall be valid for that purpose for a longer period than one year and thirty days from the passing thereof, nor unless it shall name the greatest amount to be so authorized.”

By the Act of May 24, 1851, any bank neglecting to comply with the Act of April 25, 1838, is subject to the forfeiture of a sum not exceeding five hundred dollars to the use of the Commonwealth.

The banks generally have evinced a willingness to conform to this important requirement of law. Usually, if the loan to directors has exceeded the limit prescribed by the Act of 1838, an authority for the excess is to be found in a vote of the stockholders. We repeat our recommendation, that whenever

it is proposed, by any bank, to enlarge the privileges of directors, notice of such contemplated action should be explicitly given in the notifications for the meeting at which it is proposed to act.

By the sixth section of the Act of May 8, 1851, by which this Board of Commissioners was established, we are required, if any of the corporations subject to our examination shall, in our opinion, be found at any time to have violated any law of this Commonwealth, to make a special report on the subject of such violation, containing such statements and remarks as we may deem expedient, to the Secretary of the Commonwealth, who is required to give notice of the same to the Attorney-General, "who shall at once prosecute the same in behalf of the State."

The Commissioners, on a visit to the Cochituate Bank, March 6, 1852, ascertained that there was due to the bank on that day, either directly or indirectly, from each of two directors, as principal or indorser, a sum exceeding eight per cent. of the capital stock of the bank. A vote of the stockholders, passed October 11, 1851, enlarged the limit of the aggregate liabilities of directors, but made no other reference to the limit of their individual liability. The Commissioners considered this a case upon which it was their imperative duty to report the facts to the Secretary of the Commonwealth. They made such a report. The Attorney-General, on receiving notice of it, commenced a prosecution against the bank, for the recovery of the forfeitures for a violation of the law of 1838, and the suit, as we are advised, is now pending in the Supreme Judicial Court, and being beyond our official cognizance, we forbear to make any additional comment.

Since the date of our last Report, a loss of serious character and magnitude has occurred to the Suffolk Bank, by the fraudulent conversion of its funds to their own use by Thorndike Rand, late first bookkeeper, and Charles H. Brewer, late receiving teller, of that institution. The probable amount of the loss cannot now be stated with any greater degree of exact-

ness than the sum of \$200,000, or one-fifth part of the entire capital stock of the bank. The Commissioners, at their recent examination of this bank, commenced on the 7th instant, learned that there appeared to be no evidence of any defalcation before October 1, 1851; and it is believed that the first money fraudulently taken by either of those officers, was appropriated to their own use soon after that date. Rand and Brewer appear to have been confederates in abstracting this large amount of funds in about five months; and it was, probably, in anticipation of the usual examination by the directors, preparatory to the last April dividend, that, fearing detection, they both absconded. Brewer was arrested in New York, about to embark for Europe—brought back to Boston—indicted—pleaded guilty to the charges against him—and was sentenced to imprisonment for the term of three years. The bank recovered from him, in part by his voluntary surrender, the sum of \$9,741 95. Rand escaped. A very thorough examination of the books, cash and securities of the bank was made by a Committee of the Directors, to ascertain the amount of the deficit, which was stated in their report of April 17, 1852, at \$214,518 13, from which the amount received from Brewer should be deducted, together with any additional sum which may be recovered of the sureties of Rand, or Brewer, on their official bonds, which were for the sum of \$5,000 each.

On the 21st day of April, 1852, a committee, consisting of William Gray, J. Wiley Edmands, W. W. Tucker, and Edward Austin, presented to the Board of Directors an able report, recommending a series of measures to be adopted for the security of the bank, and a plan for the separate organization of the banking department, and the foreign money department, with a system of strict accountability of the officers of each department to its head. This report, after having been accepted, was referred to appropriate committees for future action.

Among other recommendations contained in the report, was

the following:—"No person engaged in speculating in stocks, or who is known to live beyond his means, shall be retained in the employ of the bank."

Such, however, has been the confidence of the public in the integrity and ability with which the affairs of the Suffolk Bank have been conducted, that the value of its stock in the market has not suffered a depreciation, in proportion to its loss by the late bookkeeper and receiving teller. The shares in its stock were valued in September, 1851, at \$138, and in September, 1852, at \$130. Some allowance should be made for an advance of bank stocks generally.

Some idea may be formed of the large amount of business transacted in the Suffolk Bank, when it is stated that "the average daily amount of foreign money redeemed is seven hundred and fifty thousand dollars. The average daily receipts and payments amount to three millions of dollars." It is a gratifying fact that the usefulness of an institution which stands at the head of the "Suffolk Bank System," so called, and which has been so efficient in contributing its aid to the safety and soundness of our currency, remains unimpaired. The Suffolk Bank, in its present position, possesses great power, and its discreet exercise, for the purposes of salutary control over other banks, has been a subject of careful attention on the part of its directors. The committee before named, with a due appreciation of the character of its relations to other institutions, well remark, that "the security of the stockholders and of the public, which is deeply interested in the success of this bank, requires that the highest abilities and the highest integrity should administer its affairs."

The alarming increase of the crimes of counterfeiting and of fraudulently altering bank notes, has arrested the attention of the Commissioners. The means of prevention, as well as those of detection, are deserving the consideration of the banks and of the legislature. The banks which enjoy the privilege of furnishing a currency for the people in the form of bank notes, are bound, by the highest considerations of duty to the public and to themselves, to take every wise pre-

caution to prevent the commission of crimes which abridge their own profits, and cause serious losses to the unsuspecting and least informed portion of the community.

It is worthy of examination whether the use of what is called a "general plate," prepared in a manner to be used by any bank, merely by substituting one name for another, does not materially increase the evils of counterfeiting. A successful counterfeit, of a general plate, may easily be applied to a great number of banks. An intelligent cashier, in a communication to the Commissioners, remarks, that "a large part of the counterfeit bills which have been of late making so much mischief, are of bank notes printed from general plates."

The use of movable vignettes, dies, &c., is regarded as an evil. The haste of banks in procuring new notes, the convenience of artists in manufacturing them, and economical considerations have much influence in producing a description of notes which are open to the attacks of the skilful counterfeiter, in various ways. It has been confidently asserted, that under our present system of engraving, counterfeit bank plates can be manufactured which shall have upon them the genuine work of the best artists, without their knowledge or consent.

It is not our purpose, nor within our power, to describe the various forms in which the business of counterfeiting and of altering bank notes has been facilitated. The evil is one of increasing magnitude. Various modes of prevention have been proposed. Some of the more obvious ones are, for each bank to own its plates, whose execution should be of a high order of art—the use of the ineffaceable "red letter stamp" on the notes—and of the geometrical lathe-work. All these matters should engage the attention of the legislature and the banks; and the best skill of the artist should be put in requisition to protect the community from imposition.

The extent of the evil caused by counterfeiting has led to renewed efforts for its detection. At the last session of the General Court, the following Resolve was passed:—

"Resolved, That a sum not exceeding two thousand five hundred dollars be granted and paid annually, for the period

of five years after the passage of this Resolve, out of the Treasury of this Commonwealth, to any association of officers of banks in this Commonwealth, for the purpose of the prevention and the detection of the crimes of making or tendering in payment as true, counterfeit bank bills, or counterfeit gold and silver coins; and, that the Governor be authorized to draw his warrant accordingly, from time to time, for such sums, not exceeding two thousand five hundred dollars, in each year, as shall be equal to half the sum which such association shall certify and prove to the Governor to have been raised and expended by such association for the purposes above specified."

We learn that the New England Association for the detection of counterfeiters, under the management of intelligent and energetic officers, avails itself of the aid of the State, as provided by the above resolve, and that measures have recently been adopted, with the view to give to the association greater efficiency and success in its efforts. The Suffolk Bank, by the vigilance and skill of its officers, exerts a constant check against the circulation of counterfeit and altered notes, and thus renders very valuable service to the community.

In this connection, the importance of destroying the bank note plates of banks which have ceased to exist, and also those of existing banks which they have ceased to use, has been thought by the Commissioners to be a subject worthy of consideration and inquiry, with a view to legislative action.

The accumulation of defaced bills has become so great in some banks, as to attract the attention of the Board. They are an obvious and offensive hindrance in the way of examination; they expose the banks to greater danger of loss, in case of robbery of their vaults; they are an entirely useless incumbrance in the cash; evils easily removed by their timely destruction.

The increased attention which has been given by banks generally, to the security of their vaults, has been observed by the Commissioners as matter for commendation.

We have adverted to the importance of examinations of

banks by their directors. If made occasionally by them without notice to the officers, they tend to promote constant vigilance on the part of the latter, and may prevent, by timely discoveries, serious defalcations. Such examinations are now made in many banks, while others entirely neglect them. Stockholders, as has often been remarked, omit to attend the annual meetings for the choice of officers and the transaction of other important business, and frequently entrust their proxies to the hands of persons who solicit them, without a full disclosure of their object in obtaining them.

In order to present comparative views of the condition of the banks examined by us during the past year, and of their condition when visited by the last Board of Commissioners, the subjoined tables have been prepared. The table which exhibits the results of our own examinations, is compiled from statements made to us by bank officers, and corrected by us when investigation has shown its propriety. Thus we have added to the "loan" what clearly belonged to it, although not so indicated in the "state of the bank;" and we have struck from "specie" and immediate resources, some items which could not be appropriately classed under those heads:—

Table No. 2.—Exhibiting the names of Banks examined by the Commissioners in 1852—with date of examination, amount of capital, circulation, deposits, specie, loan, highest loan during the year preceding the examination, liabilities of directors, immediate liabilities and resources of the Banks.

Those marked thus (*) were not in operation in 1850.

City or Town.	Name of Bank.	Date of Examination.	Capital.	Circulation.	Deposits.	Specie.	Loan at date of examination.	Highest Loan during the year.	Liabilities of Directors.	Immediate Liabilities.	Immediate Resources.
Boston,	Columbian,	Jan. 8,	\$500,000	\$136,334	\$261,523	\$82,609	\$712,263	\$764,347	\$123,910	\$398,140	\$219,736
"	Market,	" 12,	560,000	206,236	306,647	72,294	1,057,505	1,119,034	184,734	626,092	243,600
"	Cocheituate,	" 16,	150,000	158,096	37,359	5,756	296,425	307,391	54,835	195,455	62,102
"	Atlas,	Jan. 21,	500,000	132,082	135,943	28,676	795,682	874,589	57,133	386,329	136,907
"	Shoe & L. D's.,	" 26,	1,000,000	135,712	148,325	47,877	1,388,371	1,533,270	180,007	416,643	161,643
"	Exchange,	" 29,	1,000,000	218,993	316,463	111,488	1,608,412	1,703,320	217,333	973,434	464,220
"	Traders',	Feb. 3,	600,000	132,763	164,216	39,751	947,951	986,493	267,476	427,786	136,779
"	Faneuil Hall,*	" 9,	500,000	246,184	194,292	35,772	828,246	855,375	115,524	459,476	149,124
"	Boston,	" 12,	900,000	236,517	387,829	85,829	1,438,817	1,509,209	481,900	706,039	230,043
"	State,	" 16,	1,800,000	210,123	472,865	84,099	2,504,915	2,678,497	134,017	843,164	380,019
"	Boylston,	" 23,	250,000	144,975	181,180	18,013	490,603	533,653	58,017	326,387	122,942
"	Mechanics',	" 26,	150,000	123,952	77,145	11,534	294,107	299,090	33,877	201,137	63,933
"	Union,	March 3,	1,000,000	156,286	266,240	65,783	1,446,162	1,644,032	248,455	528,535	235,998
"	Blackstone,*	" 8,	250,000	165,761	138,804	7,508	490,969	499,104	64,945	304,565	78,919
"	Grocers',	" 11,	300,000	253,815	125,478	30,206	573,945	597,200	120,466	567,915	322,803
"	Trenont,	" 16,	1,000,000	267,628	371,840	103,068	1,832,281	1,878,751	268,923	1,044,083	282,825
Cambridge,	Cambridge M't,*	" 22,	100,000	84,583	5,801	4,892	155,150	163,984	34,148	90,384	27,378
Newton,	Newton,	" 23,	150,000	108,867	31,804	4,784	285,204	301,781	37,719	140,731	15,705
Brighton,	Bank of Brighton,	" 24,	250,000	198,109	45,746	5,552	491,349	499,233	95,238	244,679	35,492
Malden,	Malden,*	" 30,	100,000	63,254	12,538	3,697	154,666	154,666	25,290	75,792	20,158
Beverly,	Beverly,	April 1,	125,000	75,646	25,962	5,785	216,451	219,194	7,310	101,608	23,077
Salem,	Salem,	" 2,	250,000	36,808	37,305	3,051	307,343	319,073	14,600	77,381	28,288

Table No. 3.—Exhibiting the condition, in 1850, of the Banks named in the preceding Table.

City or Town.	Name of Bank.	Date of examination.	Capital.	Circulation.	Deposits.	Specie.	Loan at date of examination.	Highest Loan during the year.	Liabilities of Directors.	Immediate Liabilities.	Immediate Resources.
Boston,	Columbian,	April 4,	\$500,000	\$135,874	\$218,994	\$57,272	\$740,562	\$831,908	\$493,895	\$355,868	\$144,961
"	Market,	Mar. 5,	500,000	194,563	231,594	35,971	1,020,735	1,040,591	224,294	487,719	140,327
"	Cochituate,	May 29,	150,000	155,297	32,613	5,835	284,957	303,923	46,620	187,910	55,338
"	Atlas,	Mar. 18,	500,000	107,111	205,279	22,905	818,827	842,297	60,000	431,471	168,939
"	Shoe & L. D's.,	May 10,	750,000	199,978	189,375	53,063	1,189,358	1,397,393	96,266	588,412	223,449
"	Exchange,	" 8,	500,000	309,227	256,511	53,866	997,578	1,028,915	148,435	771,201	318,872
"	Traders',	Feb. 25,	400,000	162,694	184,715	35,064	770,542	793,157	254,404	436,460	117,327
"	Boston,	May 6,	900,000	259,235	538,939	131,147	1,390,506	1,461,000	410,400	806,174	346,395
"	State,	" 14,	1,800,000	274,712	514,847	143,657	2,084,489	2,726,104	269,087	1,123,559	430,410
"	Boylston,	Mar. 11,	200,000	137,202	113,580	12,741	399,397	399,942	54,494	250,782	75,269
"	Mechanics',	May 17,	150,000	127,660	52,297	19,113	242,884	242,884	24,349	179,957	80,241
"	Union,	April 25,	800,000	220,330	275,328	72,433	1,100,406	1,195,240	152,747	534,456	171,687
"	Grocers',	Jan. 30,	250,000	193,176	117,587	22,257	474,241	491,152	206,127	390,197	179,329
"	Tremont,	Feb. 14,	500,000	223,295	273,620	63,179	996,146	999,938	208,526	728,238	269,942
Newton,	Newton,	July 18,	150,000	125,988	29,440	4,903	281,923	284,140	22,084	155,428	27,611
Brighton,	Bank of Brighton,	" 10,	250,000	182,223	52,022	9,318	453,432	511,517	83,149	234,247	53,460
Beverly,	Beverly	June 24,	125,000	73,503	26,058	8,879	201,083	204,755	29,573	101,291	33,005
Salem,	Salem,	" 10,	250,000	42,174	63,538	3,299	319,511	323,115	6,400	109,544	42,031

TABLE No. 2.—CONTINUED.

City or Town.	Name of Bank.	Date of Examination.	Capital.	Circulation.	Deposits.	Specie.	Loan at date of examination.	Highest Loan during the year.	Liabilities of Directors.	Immediate Liabilities.	Immediate Resources.
Quincy, .	Quincy Stone, .	April 5,	\$100,000	\$72,980	\$39,080	\$5,601	\$180,625	\$195,156	\$33,102	\$116,156	\$42,084
Randolph, .	Randolph, .	" 6,	150,000	106,574	46,572	6,168	304,749	304,749	13,358	153,146	30,553
Abington, .	Abington, .	" 9,	100,000	115,918	11,430	4,644	210,088	210,688	24,922	129,813	24,070
Weymouth, .	Union Bank of Weymouth and Baitures, .	" 10,	100,000	100,148	15,871	3,628	197,901	200,000	21,771	118,881	28,815
Plymouth, .	Old Colony, .	" 13,	100,000	122,234	56,862	6,040	172,477	198,793	6,955	181,296	126,644
Boston, .	Granite, .	" 15,	750,000	177,146	318,672	43,518	1,158,889	1,166,910	106,773	687,452	322,188
Cambridge, .	Cambridge, .	" 20,	100,000	44,339	33,630	7,812	153,410	190,087	14,250	79,309	30,654
Dorchester, .	Blue Hill, .	" 21,	100,000	75,920	30,256	5,462	173,992	173,992	13,604	107,724	22,540
Dedham, .	Dedham, .	" 22,	200,000	117,510	72,439	13,233	374,518	408,213	20,271	191,308	62,874
Lynn, .	Lynn Mechanics, .	" 23,	150,000	94,399	38,476	7,014	257,484	299,899	54,499	137,993	36,684
Cambridge, .	Charles River, .	" 26,	100,000	64,876	46,195	11,675	177,766	204,098	32,600	111,968	45,966
Salem, .	Mercantile, .	" 28,	200,000	48,277	54,872	7,888	268,102	306,052	58,652	103,970	34,650
Danvers, .	Warren, .	" 30,	150,000	81,320	31,726	6,506	243,632	262,894	65,627	116,798	34,044
Taunton, .	Taunton, .	" 5,	200,000	123,789	65,325	6,381	388,711	397,419	14,656	193,543	23,962
Fall River, .	Fall River, .	May 4,	350,000	99,917	59,455	11,330	477,948	521,194	271,594	168,011	53,469
" .	Massasoit, .	" 6,	100,000	54,545	24,836	10,520	162,124	173,659	18,629	82,863	36,932
Andover, .	Andover, .	" 20,	250,000	81,928	41,280	5,807	321,953	358,482	63,367	124,563	63,934
Greenfield, .	Greenfield, .	June 1,	200,000	132,369	14,536	7,862	317,975	317,975	68,065	147,795	31,580
Fitchburg, .	Fitchburg, .	" 3,	200,000	199,221	35,744	13,105	354,225	380,847	81,973	235,565	100,345
" .	Rollstone, .	" 5,	200,000	160,874	16,123	6,059	334,351	350,895	38,309	176,994	42,204
Haverhill, .	Essex, .	" 10,	100,000	36,330	2,139	2,931	114,926	118,394	17,517	38,596	23,519
" .	Merrimack, .	" 11,	180,000	54,413	12,055	4,140	206,148	275,555	8,882	67,189	49,147
Waltham, .	Waltham, .	" 16,	100,000	95,048	16,264	6,430	187,457	195,501	16,757	111,629	24,374
Concord, .	Concord, .	" 17,	100,000	72,520	34,760	11,256	175,760	190,388	14,619	107,616	37,343
Lowell, .	Railroad, .	" 18,	600,000	363,067	27,219	8,798	1,072,914	1,081,353	9,930	394,119	15,880
" .	Prescott, .	" 23,	150,000	139,284	37,694	6,040	296,575	299,888	38,113	177,327	40,685

TABLE No. 3.—CONTINUED.

City or Town.	Name of Bank.	Date of examination.	Capital.	Circulation.	Deposits.	Specie.	Loan at date of examination.	Highest Loan during the year.	Liabilities of Directors.	Immediate Liabilities.	Immediate Resources.
Quincy, .	Quincy Stone, .	July 19,	\$100,000	\$76,025	\$33,850	\$7,654	\$177,834	\$197,196	\$30,605	\$109,875	\$38,165
Randolph, .	Randolph, .	Oct. 25,	150,000	104,531	29,854	5,493	289,824	300,098	16,809	134,385	22,252
Abington, .	Abington, .	" 22,	70,600	43,300	1,953	2,254	36,465	36,465	7,337	45,253	79,144
Weymouth, .	Union Bank of Weymouth & Braintree, .	" 24,	100,000	102,927	24,145	4,762	199,950	199,950	14,706	127,072	31,760
Plymouth, .	Old Colony, .	April 9,	100,000	104,629	24,845	4,024	180,156	199,982	22,202	129,474	61,435
Boston, .	Granite, .	Feb. 4,	500,000	192,445	205,319	50,356	846,540	896,283	152,007	560,393	204,221
Cambridge, .	Cambridge, .	May 28,	100,000	47,766	20,902	6,690	158,780	180,305	41,053	68,608	17,598
Dorchester, .	Dorchester & Milton, (now Blue Hills), .	July 9,	100,000	50,846	29,154	3,951	123,924	186,834	6,961	80,000	26,945
Dedham, .	Dedham, .	Sept. 12,	200,000	130,979	55,408	13,494	387,246	391,008	20,093	186,795	37,489
Lynn, .	Lynn Mechanics', .	June 4,	150,000	108,902	28,371	6,861	277,878	299,827	69,857	141,081	16,472
Cambridge, .	Charles River, .	May 24,	100,000	61,643	42,543	8,990	186,932	197,804	44,500	104,186	31,394
Salem, .	Mercantile, .	June 13,	200,000	60,449	34,256	4,567	273,340	273,340	57,567	95,257	17,145
Danvers, .	Warren, .	" 18,	120,000	68,901	23,131	4,844	204,793	216,947	63,127	94,934	17,736
Taunton, .	Taunton, .	Oct. 30,	200,000	103,748	78,339	6,321	385,822	399,618	33,864	188,946	21,143
Fall River, .	Fall River, .	" 16,	300,000	127,602	102,544	9,222	494,062	494,002	111,690	239,716	46,864
"	Massasoit, .	" 17,	100,000	63,342	29,300	10,124	165,742	171,424	50,463	93,053	38,870
Andover, .	Andover, .	July 22,	250,000	108,432	14,025	6,850	356,161	361,314	80,328	122,457	35,558
Greenfield, .	Greenfield, .	Nov. 11,	200,000	130,893	14,051	8,638	309,394	330,599	8,506	145,000	39,116
Fitchburg, .	Fitchburg, .	Aug. 10,	200,000	176,513	20,394	11,951	317,789	335,387	74,769	196,907	91,190
"	Rollstone, .	" 10,	100,000	124,100	9,282	3,897	199,639	199,959	39,648	130,382	34,154
Haverhill, .	Merrimack, .	July 23,	180,000	49,816	17,748	3,089	249,419	279,397	12,984	67,980	12,604
Waltham, .	Waltham, .	" 6,	100,000	94,365	13,570	6,559	176,414	190,875	30,307	107,875	30,938
Concord, .	Concord, .	" 13,	100,000	84,448	22,053	5,560	172,353	179,524	27,557	107,001	41,589
Lowell, .	Railroad, .	June 29,	600,000	337,413	35,421	14,828	986,781	1,140,469	4,360	373,887	79,751
"	Prescott, .	Nov. 2,	93,550	97,062	26,149	5,425	183,878	183,878	20,949	123,211	34,796

TABLE No. 2.—CONTINUED.

City or Town.	Name of Bank.	Date of Examination.	Capital.	Circulation.	Deposits.	Specie.	Loan at date of examination.	Highest Loan during the year.	Liabilities of Directors.	Immediate Liabilities.	Immediate Resources.
Lowell, .	Appleton, .	June 24,	\$150,000	\$132,995	\$33,902	\$6,413	\$296,075	\$300,093	\$33,125	\$187,099	\$43,535
Lawrence, .	Bay State, .	" 25,	500,000	233,330	31,066	11,284	723,170	723,170	234,240	264,764	48,974
Framingham, .	Framingham, .	" 28,	200,000	127,119	22,903	7,612	330,925	347,632	25,679	154,291	34,351
Worcester, .	Citizens', .	" 29,	150,000	85,995	42,312	9,182	288,008	299,819	8,829	129,586	32,433
Lancaster, .	Lancaster, .	July 1,	150,000	149,070	13,449	5,657	297,408	298,840	24,317	162,908	27,399
Lowell, .	Lowell, .	" 9,	200,000	155,195	47,324	3,184	393,618	393,618	23,046	204,064	46,533
New Bedford, .	Bedford Com'l,	" 14,	600,000	283,676	140,130	7,375	876,636	918,518	204,731	436,173	166,025
"	Mechanics', .	" 16,	200,000	94,992	57,530	7,285	348,756	348,756	92,297	155,342	32,319
Marblehead, .	Marblehead, .	" 21,	120,000	63,809	14,034	7,201	186,134	190,695	22,293	78,383	9,149
"	Grand, .	" 22,	100,000	58,207	20,513	3,680	158,515	168,656	60,192	80,488	18,616
Gloucester, .	Gloucester, .	" 23,	200,000	148,950	55,537	3,879	371,221	405,195	49,893	205,537	57,417
Holyoke, .	Hadley Falls,*	Aug. 10,	100,000	89,853	28,484	5,057	167,557	193,259	8,548	118,337	51,867
Northampton, .	Northampton, .	" 11,	200,000	212,202	38,201	7,725	389,950	389,950	16,057	250,902	98,391
Greenfield, .	Franklin County, .	" 12,	150,000	172,806	22,053	5,482	293,561	309,026	32,601	195,936	51,578
Westfield, .	Westfield,*	" 14,	100,000	84,717	10,839	3,111	181,183	188,688	21,211	96,597	14,799
Pittsfield, .	Agricultural, .	" 16,	200,000	180,997	62,628	9,355	334,514	345,204	20,444	245,741	117,317
North Adams, .	Adams, .	" 17,	200,000	135,373	22,838	6,664	299,132	316,792	126,588	158,311	67,955
Danvers, .	Danvers, .	Sept. 6,	150,000	88,597	35,586	2,112	290,844	292,464	91,948	140,101	9,305
"	Village, .	" 7,	120,000	103,278	11,385	3,702	224,517	234,502	41,705	119,126	28,681
Salisbury, .	Powow River, .	" 9,	100,000	102,788	10,328	6,086	195,095	198,688	100	113,544	28,599
Hingham, .	Hingham, .	" 16,	105,000	95,987	46,887	6,349	209,789	213,044	16,605	142,874	47,554
Fairhaven, .	Fairhaven, .	" 22,	200,000	68,928	66,787	11,436	313,320	324,062	189,200	136,449	32,885
Falmouth, .	Falmouth, .	" 23,	100,000	99,196	4,815	2,904	149,079	168,600	17,744	104,011	56,978
Wrentham, .	Wrentham, .	" 28,	150,000	82,869	9,110	4,952	224,944	242,521	35,032	92,531	22,586
Attleborough, .	Attleborough, .	" 29,	100,000	48,120	23,002	5,340	157,371	169,881	21,742	72,222	19,490
Blackstone, .	Worcester Co., .	" 30,	100,000	39,345	16,333	2,866	151,244	157,841	75,113	57,784	10,601

TABLE No. 3.—CONTINUED.

City or Town.	Name of Bank.	Date of examination.	Capital.	Circulation.	Deposits.	Specie.	Loan at date of examination.	Highest Loan during the year.	Liabilities of Directors.	Immediate Liabilities.	Immediate Resources.
Lowell, .	Appleton, .	July 2,	\$150,000	\$163,107	\$62,658	\$3,708	\$299,932	\$300,884	\$39,444	\$225,765	\$69,999
Lawrence, .	Bay State, .	June 27,	300,000	190,960	26,939	7,852	474,521	498,574	140,142	218,628	36,760
Framingham, .	Framingham, .	Sep. 10,	200,000	139,382	20,137	10,833	329,082	344,172	8,756	150,616	44,542
Worcester, .	Citizens', .	Aug. 7,	150,000	99,102	31,137	9,974	274,713	299,306	14,192	132,899	31,839
Lancaster, .	Lancaster, .	July 16,	125,000	125,052	6,572	3,257	250,680	237,715	19,580	137,242	29,191
Lowell, .	Lowell, .	" 1,	200,000	149,293	35,785	3,246	394,911	402,047	32,621	190,749	29,292
New Bedford, .	Bedford Com'l, .	Sep. 23,	400,000	186,221	132,352	9,766	667,676	607,676	44,480	322,998	75,842
"	Mechanics', .	" 25,	200,000	67,222	42,935	12,675	284,799	301,000	140,363	114,803	35,455
Marblehead, .	Marblehead, .	June 7,	120,000	65,999	11,266	6,887	173,325	193,918	50,017	77,265	20,530
"	Grand, .	" 6,	100,000	68,795	15,342	5,107	151,365	192,328	91,432	85,552	27,161
Gloucester, .	Gloucester, .	July 25,	200,000	131,772	47,361	10,656	343,045	403,216	75,765	179,133	52,499
Northampton, .	Northampton, .	Nov. 14,	200,000	176,916	17,940	7,527	401,158	401,158	16,600	199,577	33,042
Greenfield, .	Franklin County, .	" 12,	125,000	166,520	22,168	5,011	244,273	251,171	16,373	189,523	68,011
Pittsfield, .	Agricultural, .	" 19,	150,000	124,974	46,501	8,237	260,361	299,277	30,601	173,386	98,120
North Adams, .	Adams, .	" 23,	150,000	79,737	11,218	6,019	224,901	236,030	94,163	92,503	20,379
Danvers, .	Danvers, .	June 19,	150,000	52,179	33,860	2,183	238,609	240,524	87,156	92,808	5,553
"	Village, .	" 25,	120,000	83,289	8,126	1,585	211,870	227,759	34,811	93,426	9,865
Salisbury, .	Powow River, .	July 31,	100,000	88,212	17,608	4,439	199,709	205,553	2,800	105,820	17,756
Hingham, .	Hingham, .	Oct. 22,	105,000	94,633	47,260	5,984	211,604	214,713	19,481	141,893	29,663
Fairhaven, .	Fairhaven, .	" 11,	200,000	99,270	122,023	10,239	266,942	309,935	92,564	223,200	157,446
Falmouth, .	Falmouth, .	" 10,	100,000	82,950	6,177	3,253	161,977	180,427	9,770	89,127	24,452
Wrentham, .	Wrentham, .	" 1,	150,000	68,715	7,979	4,923	218,018	232,909	49,077	78,634	18,360
Attleborough, .	Attleborough, .	Dec. 13,	100,000	50,389	16,032	3,327	162,700	170,091	39,753	66,421	12,516
Blackstone, .	Worcester Co., .	Aug. 23,	100,000	40,414	8,216	6,389	101,393	101,393	49,865	48,630	48,355

TABLE No. 2.—CONTINUED.

City or Town.	Name of Bank.	Date of examination.	Capital.	Circulation.	Deposits.	Specie.	Loan at date of examination.	Highest Loan during the year.	Liabilities of Directors.	Immediate Liabilities.	Immediate Resources.
Uxbridge,	Blackstone,	Oct. 1,	\$100,000	\$59,965	\$12,901	\$4,544	\$102,698	\$170,597	\$22,785	\$72,866	\$16,913
Worcester,	Mechanics,	" 6,	300,000	242,163	96,060	18,592	587,653	594,679	110,952	344,235	80,651
Milford,	"	" 8,	150,000	163,491	14,474	4,004	209,909	299,944	70,033	181,573	42,653
Haverhill,	Haverhill,	" 12,	150,000	78,321	14,093	4,676	220,047	244,807	2,446	97,450	34,663
Salem,	Asiatic,	" 14,	200,000	123,904	98,966	16,883	398,839	400,628	29,324	236,442	72,379
Boston,	City,	" 19,	1,000,000	212,188	379,859	68,865	1,580,316	1,597,566	252,634	732,111	202,822
"	North,	" 25,	750,000	220,340	381,782	44,434	1,268,660	1,309,709	100,277	632,045	171,853
Newburyport,	Merchants,	Nov. 3,	210,000	93,540	97,328	9,807	324,599	333,705	11,554	192,901	85,755
Springfield,	Springfield,	" 9,	300,000	241,482	35,847	11,557	535,580	554,054	18,954	277,329	47,491
"	Agawam,	" 10,	200,000	247,773	68,191	14,327	392,516	399,886	46,584	316,424	130,468
"	John Hancock,	" 12,	100,000	118,176	27,733	6,680	189,657	207,415	8,200	150,147	54,917
Boston,	Massachusetts,	" 17,	800,000	120,464	286,163	39,450	1,102,587	1,102,587	248,045	517,997	199,583
"	Suffolk,	Dec. 7,	1,000,000	245,671	1,059,500	342,440	1,622,910	1,999,789	288,215	2,178,743	1,617,380
Total, 87 Banks,	"	"	26,370,000	11,634,788	8,410,729	1,830,024	43,139,154	45,679,976	6,657,935	23,430,743	8,759,186
Deduct for the 7 Banks not in operation {	"	"	1,250,000	770,682	392,897	62,968	2,091,797	2,173,470	287,183	1,152,057	353,411
in 1850, }	"	"									
Total,	"	"	25,120,000	10,864,106	8,017,132	1,767,056	41,047,357	43,506,497	6,370,752	22,278,686	8,405,775

TABLE No. 3.—CONTINUED.

City or Town.	Name of Bank.	Date of examination.	Capital.	Circulation.	Deposits.	Specie.	Loan at date of examination.	Highest Loan during the year.	Liabilities of Directors.	Immediate Liabilities.	Immediate Resources.
Uxbridge,	Blackstone,	Aug. 22,	\$100,000	\$59,400	\$13,683	\$1,361	\$151,712	\$167,315	\$27,873	\$73,084	\$24,200
Worcester,	Mechanics,	" 7,	150,000	119,231	35,756	5,910	283,079	299,867	73,007	154,987	34,129
Milford,	Milford,	" 31,	100,000	116,568	6,161	3,710	199,770	260,002	52,771	122,873	29,222
Haverhill,	Haverhill,	July 24,	150,000	56,387	8,402	4,347	230,359	243,891	4,212	73,213	6,471
Salem,	Asiatic,	June 16,	200,000	109,565	105,976	12,148	370,883	377,393	56,329	219,526	76,888
Boston,	City,	Jan. 24,	1,000,000	154,905	289,371	43,307	1,509,777	1,594,897	318,744	619,652	272,731
"	North,	May 2,	750,000	183,567	293,540	53,243	1,118,773	1,138,640	214,724	544,064	211,938
Newburyport,	Merchants,	July 29,	210,000	65,205	80,904	12,100	303,333	326,646	49,121	149,664	66,989
Springfield,	Springfield,	Sept. 4,	300,000	183,810	71,947	8,639	449,110	491,390	31,417	155,757	140,386
"	Agrawan,	Nov. 30,	200,000	121,353	51,312	7,529	330,045	341,873	37,877	177,815	53,620
"	John Hancock,	" 15,	53,450	30,658	18,124	10,237	14,826	14,826	3,960	48,782	84,767
Boston,	Massachusetts,	Feb. 12,	800,000	126,860	200,756	59,714	1,054,504	1,090,783	429,929	398,176	126,851
"	Suffolk,	May 21,	1,000,000	220,478	710,866	326,969	1,580,282	1,977,331	374,602	1,693,344	1,328,473
Total, 80 Banks,	.	.	22,057,600	9,921,789	6,998,134	1,682,597	35,851,700	38,123,086	6,707,411	19,465,247	7,440,215

AGGREGATE OF THE PRECEDING TABLES.

Date of Examination.	Capital.	Circulation.	Deposits.	Specie.	Loan at date of examination.	Highest Loan during the year.	Liabilities of Directors.	Immediate Liabilities.	Immediate Resources.
In 80 Banks, $\left\{ \begin{array}{l} 1852, \\ 1850, \end{array} \right.$	\$25,120,000	\$10,864,106	\$8,017,832	\$1,767,056	\$41,047,357	\$43,506,497	\$6,370,752	\$22,278,686	\$8,405,775
	22,057,600	9,921,789	6,998,134	1,682,597	35,851,700	38,123,086	6,707,411	19,465,247	7,440,215
Increase in 1852,	3,063,400	942,317	1,019,698	84,459	5,195,657	5,383,411	-	2,813,439	1,065,560
	or 13 8-10 per ct.	or 9 3-10 per ct.	or 14 6-10 per ct.	or 5 per ct.	or 14 5-10 per ct.	or 14 1-10 per ct.	-	or 14 5-10 per ct.	or 14 3-10 per ct.
Decrease in 1852,	-	-	-	-	-	-	-336,659	-	-
							or 5 per ct.		

Upon an examination of the foregoing tables, it will be observed that capital, deposits, loan, immediate liabilities and immediate resources, have increased in about the same ratio; circulation and specie have increased, but in a less proportion. In forty-nine banks the amount of specie has been increased, and in thirty-one it has been diminished. The liabilities of directors have diminished in a considerable amount. So that, in the aggregate, the results of the comparison are favorable to the present condition of the banks.

Having presented such facts and remarks as seemed to be proper for a clear understanding of the conduct and condition of banks of discount and circulation, so far as disclosed by the examinations, we proceed to

SAVINGS BANKS.

In our last Report, we gave a sketch of the origin, history and objects of Institutions for Savings, in Europe, and in our own Commonwealth. The number of the latter reported to be in operation December 15, 1851, was forty-nine. We have received information that five others have been put in operation during the past year:—

Savings Banks reported in 1852, as having commenced operations.

Name of Bank.	County.	Town or City.	When Chartered.
Blackstone, - -	Worcester, -	Blackstone, - -	1849, April 20.
Milford, - - -	" - -	Milford, - - -	1851, April 24.
Clinton, - - -	" - -	Clinton, - - -	1851, May 15.
Lee, - - - -	Berkshire, -	Lee, - - - -	1852, March 5.
Hampden, - - -	Hampden, -	Springfield, - -	1852, April 13.

There are now, therefore, in operation, three savings banks in Boston, and fifty-one out of Boston.

From the returns made to the office of the Secretary of the Commonwealth, we learn, that on the 25th day of September,

1852, in fifty-three savings banks, the number of depositors was 97,353, and the amount of deposits was \$18,401,307 86; and the expense of managing the institutions was \$49,380 02, being about fifty cents to each depositor, or two mills and seven-tenths of a mill on each dollar of the deposits.

We subjoin a tabular statement, showing the number of depositors in the savings banks of Massachusetts, and the aggregate of the deposits in each year since 1834, in which year returns were first required by law :—

Year.	Number of Depositors.			Amount of Deposits.
1834	-	24,256	- -	\$3,407,773 90
1835	-	27,232	- -	3,921,370 83
1836	-	29,786	- -	4,374,578 71
1837	-	32,564	- -	4,781,426 29
1838	-	33,063	- -	4,869,392 59
1839	-	36,686	- -	5,608,158 75
1840	-	37,470	- -	5,819,553 60
1841	-	41,423	- -	6,714,181 94
1842	-	42,587	- -	6,900,451 70
1843	-	43,217	- -	6,935,547 07
1844	-	49,699	- -	8,261,345 18
1845	-	58,178	- -	9,813,287 56
1846	-	62,893	- -	10,680,933 10
1847	-	68,312	- -	11,780,812 74
1848	-	69,894	- -	11,970,447 64
1849	-	71,629	- -	12,111,553 64
1850	-	78,823	- -	13,660,024 34
1851	-	86,537	- -	15,554,088 58
1852	-	97,353	- -	18,401,307 86

It appears, from the foregoing table, that the amount of deposits in 1852, is five times as large as in 1834, and the period embraced in the returns is less than nineteen years. The increase of deposits from May 31, 1851, to May 25, 1852, was \$2,847,219 28.

The following table shows the name and location of each savings bank visited by the Commissioners, in 1852, and the dates of their visits. The whole number visited was twenty-one :—

Savings Banks Visited by the Commissioners—1852.

Counties.	Cities and Towns.	Names of Institutions.	Date of Examination.
ESSEX, . . .	Andover, .	Andover Institution for Savings,	May 21.
	Gloucester, .	Cape Ann Savings Bank, . . .	July 23.
	Salisbury, .	The Provident Institution for Savings in Salisbury and Amesbury, . . .	Sept. 10.
	Haverhill, .	Haverhill Savings Bank, . . .	Oct. 13.
	Newburyport .	Institution for Savings in Newburyport and its vicinity, .	Nov. 4.
MIDDLESEX, .	Framingham, .	Framingham Savings Bank, . .	June 28.
	Fitchburg, .	Fitchburg Savings Bank, . . .	" 4.
WORCESTER, {	Clinton, . .	Clinton Savings Bank, . . .	" 30.
	Lancaster, .	Lancaster Savings Bank, . . .	July 1.
	Blackstone, .	Blackstone Savings Bank, . . .	Sept. 30.
	Worcester, .	Worcester Mech's Savings B'k.,	Oct. 7.
	Milford, . .	Milford Savings Bank, . . .	" 8.
HAMPDEN, .	Springfield, .	Hampden Savings Bank, . . .	Nov. 10.
NORFOLK, .	Randolph, .	Randolph Savings Bank, . . .	April 6.
BRISTOL, . .	Fairhaven, .	Fairhaven Institution for Sav'gs.	Sept. 22.
	Plymouth, .	Plymouth Savings Bank, . . .	April 14.
PLYMOUTH, {	Scituate, . .	Scituate Savings Bank, . . .	Sept. 15.
	South Scituate,	South Scituate Savings Bank, .	" 15.
	Hingham, . .	Hingham Institution for Savings,	" 17.
	Wareham, . .	Wareham Savings Bank, . . .	" 21.
BARNSTABLE,	Barnstable, .	Institution for Savings, in the town of Barnstable, . . .	" 21.

The savings banks are institutions of great and rapidly increasing importance. Their "condition" is safe for depositors, and in their "general conduct" they have manifested intelligence and discretion. There have, however, been found many deviations from the requirements of the statutes for their regulation, as regards investments, and in some other particulars. In our last Report, we spoke of investments which we regarded as unauthorized by statute, somewhat in detail, in connection with the provisions of the several acts to incorporate savings banks. We have found many similar investments during the past year, and, in fact, there are but very few institutions by which all the statute regulations are carefully observed. It is in our power to state, however, that from all those savings banks which have been visited by us during the past year, and in which we have found some want of compliance with the general laws, we have received the most satis-

factory assurances that not only will the statutes hereafter be most carefully regarded, but that all existing irregularities will be corrected as soon as circumstances will permit.

A very important question was presented to the Commissioners, in our earlier examinations, relating to the obligation of certain savings banks, to make their investments within the limits prescribed in the general laws. We refer to those institutions which were incorporated prior to March 11, 1831, and whose charters do not contain express words subjecting them to the control of the Legislature. Upon mature deliberation we expressed an opinion adverse to the views entertained by the highly intelligent managers of the institution to which we made particular reference. They claimed to be exempted from legislative control. We entertained and expressed a different opinion, and also that the true policy of all savings banks was best consulted by submitting to the regulation of the general laws. We felt some solicitude that a question of such grave importance should be settled in a manner which should remove all doubt upon the subject.

In May last, the Senate of Massachusetts submitted to the Justices of the Supreme Judicial Court the following question, viz. :—

“Is the corporation known as ‘The Provident Institution for Savings in the town of Boston,’ chartered in the year 1816, subject to the general laws of the Commonwealth relating to savings banks and institutions for savings, passed since the granting of the charter aforesaid?”

By an order of the Senate, the President of that body, in case he should receive, during the recess of the Legislature, the opinion of the Supreme Judicial Court in relation to the Provident Institution for Savings, was requested to cause the same to be published in the official newspaper. In September last, the opinion of the Justices was communicated to the President of the Senate, and by him published, as requested. The opinion thus given settles the question. It concludes as follows :—
“In the present case, there appears to be nothing in the charter of the Provident Institution for Savings in Boston, to exempt

it from the provisions of the general laws, passed since the date of the charter, relating to savings banks, prescribing the modes of investments; and the undersigned are therefore of opinion that that Institution is subject to those provisions of those general laws."

The opinion bears the signatures of all the Justices, and is sustained by a course of reasoning so full of information and so valuable to all concerned in governing or legislating for savings banks, and at the same time so important to be considered in connection with and as illustrative of the duties of the Commissioners, that we have appended a copy of it to this Report.

In relation to the nature of investments, we remark that they are much more limited in other countries than in our own. In Great Britain and Ireland, all moneys paid in to any savings bank established according to the Act of 9 Geo. IV., c. 92, and the 7 and 8 Vict. c. 83, are to be paid into the banks and then vested in bank annuities or exchequer bills. The interest paid to depositors is not to exceed £3 0s. 10*d.* per cent. per annum.

The Commissioners, being desirous of learning the condition of the savings banks of Great Britain and Ireland, addressed a letter in September last to Hon. Abbott Lawrence, Minister at London, requesting the favor of his aid in procuring such documents as had been printed by order of the British government in relation to savings banks. In the same month, he forwarded to us several valuable documents, which had been printed by order of the House of Commons, comprising the latest returns from each savings bank in the United Kingdom.

From the returns of their condition November 20, 1851, we obtained the following interesting facts:—

Population of the United Kingdom in 1851,	-	27,104,394
Number of savings banks,	- - - -	574
Number of officers unpaid,	- - - -	613
Number of officers paid,	- - - -	1,168

Amount of security given by the unpaid offi-

ciers,	- - - - -	£353,000	0	0
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Amount of security given by the paid officers,	339,705	0	0
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Salaries and allowances of the paid officers,	£76,099	8	7
Annual expenses of management, inclusive			
of all salaries, - - - - -	103,254	10	11
Average rate of interest paid to depositors			
per annum, - - - - -		2	17 10
Total amount owing to depositors, - - -	30,184,604	11	2
Of which £30,173,347 1s. 11d. had been invested with the Commissioners for the reduction of the national debt. The average rate per annum on the capital of the banks for the expenses of management was 7s. 9d. on £100.			

In the three largest savings banks in the city of New York, whose deposits at the commencement of the present year amounted to upwards of fifteen millions of dollars, the investments are less varied than the law permits in this State. We find in them no loans on personal security whatever. A peculiar feature in those institutions is that a less amount of interest is allowed on deposits exceeding \$500, than on those under that amount.

An Act of the Legislature of New York, passed May 6, 1839, authorizes the accumulation and investment by savings banks of a surplus fund, not exceeding ten per cent. on the deposits, to make good any losses by reason of a reduction in the value of their securities.

We find also in some of the New York charters a provision authorizing savings banks to pay to minors sums not exceeding a certain amount of deposits, and making the receipts of minors valid, provided such deposits were made personally by the minors.

The regulation by law of the amount of surplus funds which may be retained by savings banks, and of payments of deposits to minors under certain circumstances, appear to us to be subjects worthy of consideration by our Legislature.

By an Act of our General Court passed May 24, 1851, "The treasurer of each and every institution for savings and of each and every savings bank in this Commonwealth, and of each and every institution for savings, and savings bank which

hereafter may be incorporated, is hereby required, annually, between the first and tenth of May, to make returns, in person or by mail, to the assessors of every city and town in this Commonwealth, in which they have reason to suppose such depositors reside, of the names of all depositors having deposits of five hundred dollars and upwards, with the respective amounts standing to the credit of each."

This Act went into practical operation in May last. Prior to the first day of that month, deposits in some institutions were reduced below the sum of \$500, under such circumstances and by an amount so small, as to induce the belief that the object of the reduction was to avoid taxation. Instances were disclosed to the Commissioners, too numerous not to arrest their attention, and which could not, with any show of reason, be ascribed to any other cause than a determination to accomplish the object which we have stated.

In several of our best managed institutions, the semi-annual dividends have been raised from two to two and a half and three per cent. This approximation to a division of the profits of the deposits in "just proportion," has not only been justified by the prosperous condition of the institutions themselves, but also seems to us to have been precisely what the statutes contemplated. Such a division gives to savings banks the highest degree of usefulness to the greatest number of depositors. The expediency of retaining a large surplus of profits for an extra dividend is very questionable; for, while it may induce some to allow their deposits to remain untouched, others are deprived of an equitable share of the earnings which are essential to the relief of their immediate necessities.

We have thus passed in review the condition of such of the banks of discount and circulation, and of the savings banks, as we have visited during the past year. We have given such facts and statements, with such commentaries, as they naturally suggested. Both banks and savings institutions have shared in the general prosperity of the community. Their imperative duty and highest interests are both consulted and promoted when they conform in their operations to the re-

quirements of law. Fidelity and intelligence in their management command public confidence, from which they derive their life and support. Banks when thus managed, with constant reference to the just claims of all the citizens, do, in turn, aid materially in promoting important public interests, and, at the same time, afford liberal dividends to their stockholders.

SOLOMON LINCOLN.

PETER T. HOMER.

SAMUEL PHILLIPS.

Boston, *December 29, 1852.*

APPENDIX.

Opinion of the Justices of the Supreme Judicial Court, on the question whether "The Provident Institution for Savings in the Town of Boston," is bound to make its investments in conformity to the provisions of the general laws of the Commonwealth in relation to Savings Banks.

LENOX, 20th Sept., 1852.

HON. HENRY WILSON, *President of the Senate of Massachusetts* :—

SIR :—I have the honor to transmit you the opinion of the Judges of the Supreme Judicial Court, on the subject on which their opinion was requested by the honorable Senate.

I am, Sir, with the highest respect,

Your obedient servant,

LEMUEL SHAW.

COMMONWEALTH OF MASSACHUSETTS.

In SENATE, May 14th, 1852.

On motion of Mr. Wood,

Ordered, That the Justices of the Supreme Judicial Court be and they are hereby requested to give their opinion upon the following question to wit :—

Is the corporation known as "The Provident Institution for Savings in the Town of Boston," chartered in the year 1816, subject to the general laws of the Commonwealth, relating to Savings Banks and Institutions for Savings, passed since the granting of the charter aforesaid ?

On motion of the same Senator,

Ordered, That the President of the Senate, in case he should receive, during the recess of the Legislature, the opinion of the Supreme Judicial Court, in relation to "The Provident Institution for Savings,"

requested by order of the Senate of this date, be and he is hereby authorized and requested to open the same, and cause it to be published in the official newspaper.

A true copy from the record.

Attest : F. H. UNDERWOOD, Clerk.

To the Honorable the Senate of the Commonwealth of Massachusetts :—

The undersigned, Justices of the Supreme Judicial Court, have received a copy of the order of the Honorable Senate, requesting them to give their opinion upon the following question, to wit :—

Is the corporation known as “ The Provident Institution for Savings in the Town of Boston,” chartered in the year 1816, subject to the general laws of the Commonwealth, relating to Savings Banks and Institutions for Savings, passed since the granting of the charter aforesaid ?

This question relates directly to the rights and duties of a private corporation, under existing laws. The embarrassment felt by the Justices of this Court, in expressing an opinion, in this manner, in such a case, was particularly stated in an opinion heretofore given to the Honorable House of Representatives. In giving that opinion, it was said, “ As the questions, on the face of them, seem to involve a controverted question of right, between the Commonwealth and a private corporation, a question apparently and peculiarly fit to be decided in a regular course of judicial proceeding, we had doubts, at the first view of the subject, whether it was a case coming within the intent of the Constitution, pursuant to which, questions of law are to be proposed ; and whether it might not be expedient first, to submit to the consideration of the Honorable House, whether it would be expedient to request an *ex parte* opinion in such a case. Our doubt was this : as we have no means in such a case, of summoning the parties adversely interested, before us, or of inquiring, in a judicial course of proceeding, into the facts upon which the controverted right depends, nor of hearing counsel to set forth and vindicate their respective views of the law, such an opinion, without notice to the parties, would be contrary to the plain dictates of justice, if such an opinion could be considered as having the force of a judgment, binding on the rights of the parties. But, as we understand that the session of the Legislature is drawing to a close, and it might be inconvenient to the House to refer the matter back to them before acting upon it ; and as an opinion upon an abstract question, without any investigation of facts, and without argument, must be taken as an opinion on the precise question proposed, which cannot affect the rights of parties, should they hereafter be brought before the Court in a regu-

lar course of judicial proceeding, we have thought it best, without further delay, to submit an opinion upon the questions proposed.”—(5 Met. 597.)

The above remarks have been quoted at length, as applying with full force, to the present case, and the same doubt expressed in the case referred to, is now felt, in an equal degree, by the undersigned. But it being understood, that it was expected by the Honorable Senate, that an answer to their inquiry would be forwarded to their President, in the recess of the Legislature, the question having been proposed near the close of the session, and as that expectation must be disappointed, by waiting to refer the matter to the Honorable Senate, when again assembled, in compliance with the request of the Senate the following opinion is now respectfully submitted :—

By an act of the Legislature, passed March 11, 1831, and which, with some changes not necessary to be particularly stated, is re-enacted in the Revised Statutes, c. 44, § 23, it was enacted “ That all acts of incorporation, which shall be passed after the passage of this act, shall at all times hereafter, be liable to be amended, altered, or repealed, at the pleasure of the Legislature, and in the same manner as if an express provision to that effect were therein contained ; unless there shall have been inserted in such act of incorporation, an express limitation as to the duration of the same.” Thus, all acts of incorporation, passed after the passage of the above act, are liable to be amended, and altered, or repealed, at the pleasure of the Legislature, in the same manner as if that act was inserted, as an express provision in each charter. But acts of incorporation, passed before the passage of that act, are not liable to be so altered, or amended, or repealed by the Legislature ; but the corporations created by them, are, nevertheless, subject to the general laws of the Legislature, which are not inconsistent with, and do not violate any of the provisions of their particular acts of incorporation.

There are now four Savings Banks, or Institutions for Savings, in whose acts of incorporation there is no express provision, subjecting them to the control of the Legislature, and which were incorporated before the passage of the above-mentioned act of 1831. These four institutions are those at Boston, Salem, Newburyport and Roxbury, whose acts of incorporation are all perpetual. The present inquiry is confined to the Provident Institution for Savings in Boston. This was the first institution of the kind incorporated in this Commonwealth,—some general interest having then been recently excited in relation to such institutions. Such has been the increase of these institutions, and so largely have they enjoyed the public confidence and favor, that it

appears by the recent Report of the Bank Commissioners, that there are now in operation in this Commonwealth, forty-nine Savings Banks, having more than eighty-six thousand and five hundred depositors, and an amount of deposits exceeding fifteen and a half millions of dollars.

Such a number of depositors, composed mostly of persons of small means, and of a character eminently requiring the watchful care and protection of the government, and such an amount of capital, stated by the Bank Commissioners to exceed one-third of the aggregate capital of the banks of circulation, are surely subjects of sufficient importance to attract the attention, and call for the action of the Legislature; accordingly the Legislature has, from time to time, passed general laws in relation to Savings Banks. But as the Provident Institutions for Savings in Boston, was incorporated before the act of 1831, giving the Legislature a right to amend and alter acts of incorporation subsequently passed, and as there is no express provision in the charter of that institution, giving to the Legislature such a control over it, the question now is, whether that institution, and of course, other similar institutions, similarly situated, are subject to the general laws, which have thus been passed in relation to Savings Banks, or whether they are beyond or above the reach of those laws?

This is a question of very grave import, as affecting the rights of private corporations, and it deeply concerns the public to know, whether or not some of the largest institutions for savings in the Commonwealth, with perpetual charters, are exempt from the operation of these general laws. There is quite a number of these general statutes, extending through a course of years from 1834 to 1852 inclusive, containing various distinct provisions, upon different subjects, and intended to accomplish different objects. Whether or not the institution for savings in Boston is subject to these laws, depends upon the question, whether or not the provisions of the laws are inconsistent with the chartered rights of the institution.

There can be no doubt, that the institution is bound by the provisions in these laws, so far as these provisions are consistent with the rights of the institution, as secured by its charter, and the only ground upon which the corporation can rightfully resist any of the provisions in these laws, must be, that such provisions are in violation of the chartered rights of the corporation.

Now the question propounded by the Honorable Senate, is, in general terms, whether the institution for savings in Boston is subject to the general laws relating to Savings Banks, referring to no particular law, nor to any specified provision or provisions of the laws, and, therefore, embracing all the various provisions of these several laws. To answer

this inquiry particularly, and according to its terms, would require a careful analysis of these general laws, and an examination of, and commentary upon, all their various provisions, with particular reference to the provisions of the charter of the bank in question, as only upon such particular examination can it be determined, whether the various provisions of the laws, upon different subjects, and for different purposes, and involving different principles, are, or are not, consistent with the rights secured to the corporation.

It is not supposed that the Honorable Senate could have had in view such a particular, and extended inquiry, a large portion of which would probably be wholly unimportant, as having no bearing upon any question actually raised, or likely to be raised, in relation to the laws under consideration. Upon examining the recent Report of the Bank Commissioners, the only question which appears to have been raised by the Provident Institution for Savings in Boston, in regard to the general laws relating to Savings Banks, is whether that particular institution is bound to make its investments in conformity to the provisions of these general laws. The undersigned propose to confine their attention to this portion of these general laws, as being the only portion, the binding force of which appears to have been called in question, believing that in so doing, they will satisfactorily meet and answer the inquiry of the Honorable Senate. A general law in relation to Savings Banks, passed April 2d, 1834, among other things, prescribed the modes in which deposits should be invested. The Revised Statutes, c. 36 § 78, has the following provision in relation to investing deposits:—"All such sums may be invested in the stock of any bank, incorporated under the authority of this Commonwealth, or of the United States, or may be loaned on interest to any such bank, or may be loaned on bond or notes, with collateral security of the stock of any of the said banks, at not more than ninety per cent. of its par value; or they may be invested in the public funds of this Commonwealth, or of the United States, or loaned on a pledge of any of the said funds; or invested in loans to any county, or town in this State, or in mortgages of real estate; provided, that the whole amount of stock, held by the institution at one time in any one bank, both by way of investment and as security for loans, shall not exceed one-half of the capital stock of such bank, and that not more than three-quarters of the whole sum, deposited in the institution, shall be at any one time invested in mortgages of real estate. § 79. If the moneys, held by any such corporation, cannot be conveniently invested in any or all of the modes hereinbefore prescribed, then it shall be lawful to loan, not exceeding one-half part of the amount thereof, on bonds or other personal securities, with at least two sureties;

provided, that the principal and sureties shall all be citizens of this Commonwealth, and resident therein."

By the act of March 5th, 1841, c. 44, it is provided, that—"All Savings Banks and Institutions for Savings, may make loans upon bonds or notes, with the pledge of the stock of any railroad company, incorporated under the authority of this Commonwealth, the whole amount of whose capital is actually paid in, such loan not to exceed eighty-five per centum of the par value of such stock; provided, that no such loan shall be made upon the stock of any company, whose road or franchise is subject to any mortgage or pledge; and provided further, that no loan shall be made on any railroad stocks, which stocks shall not, at the time said loan is made, command at least their par value in the market; and no such bank or institution shall so loan more than fifty per cent. of the amount of their deposits."

These are the provisions of the laws in question, and the inquiry is, whether the Provident Institution for Savings in Boston is bound by these provisions.

In making these enactments, there is no doubt, that the great purpose of the Legislature was, to protect the depositors from loss and injury, and that there was no intention to take away from Savings Banks any powers necessary to the accomplishment of their appropriate business, but only to guard against the improvident exercise of those powers.

If the business of savings banks had been done by individuals, or, as it is said to be done in England, by voluntary associations, regulated by acts of parliament, there can be no doubt, that the legislature might provide for the safety of the depositors, by prescribing, by general laws, the modes in which these individuals or voluntary associations should invest the deposits. Such enactments would clearly be within the rightful power of the Legislature. It is not only the right, but the duty of the Legislature, to make all such reasonable and wholesome laws, in regard to all the various branches of business, and pursuits in the community, as may be necessary for the safety and welfare of the body politic. It is upon this principle, that the Legislature has prohibited altogether, what has been called private banking, by subjecting every person to a penalty, who shall issue, or pass any note, bill, order or check, with intent that the same shall be circulated as currency, except such as are particularly specified in the act.

The object of this general law is to protect the public from impositions and losses, to which it would be exposed, by the circulation of the notes, or bills of individuals. It is upon this general principle, that the Legislature has from time to time made general laws in regard to attorneys-at-law, physicians, auctioneers, manufacturers of boots and shoes,

hawkers and pedlars, and various other classes of persons, and various branches of business, to which it cannot be necessary more particularly to refer.

This superintending power of the Legislature applies not only to individuals, or natural persons, but, with equal fitness and propriety, to artificial persons or corporations, except so far, as these bodies are exempted from the operation of this power, by the provisions of their charters.

To provide for the safety and well-being of Institutions for Savings is, surely, a most appropriate exercise of the superintending power of the Legislature. These institutions are established wholly for public purposes, are intrusted with large amounts of money belonging to persons, who can ill afford to lose it, and who are in no condition to be able to judge of, or provide for, its security.

The officers and managers of these institutions have no private, personal, pecuniary interest in them, but conduct them wholly for the benefit of the poorer classes of the community, and, therefore, laws made for the benefit and security of depositors, cannot be objected to, by these officers, on the ground that any interest of their own is affected. The directors and managers of banks generally, are personally interested in them, but the officers of savings banks act wholly for the public, and for the poorer and less prosperous classes of the public.

The usefulness of the Institutions for Savings must depend on their possessing the public confidence, and the public confidence must very much depend upon their being under the wholesome inspection and control of the government. It is, no doubt, important, both as respects the public confidence, and as regards the safety of their operations, that all these institutions should be subject to one uniform system of regulations, particularly in a matter of so much importance as the mode of investing deposits; and the general laws upon this subject, being clearly within the general and rightful power of the Legislature, and relating to a matter of great public concernment, must be binding upon the Provident Institution for Savings in Boston, in common with other similar institutions, unless that institution is beyond the power of the Legislature in this particular, by force of the provisions in its particular act of incorporation.

It becomes necessary, therefore, to examine particularly this act of incorporation.

It is now the well settled law of the land, that the charter of a private corporation is a contract, within the meaning of the Constitution of the United States, and that any act of a State legislature, which

violates any corporate right secured by such charter, without the consent of the corporation, is void as against that constitution.

The undersigned readily accede to the authority of this doctrine, not only because it has been established by the highest judicial tribunal in the country, whose decisions are binding on this subject, but also because it approves itself entirely to their own understandings. Legislation, in violation of chartered rights, is not only contrary to the Constitution of the United States, but is at war with the first principles of a just and well-ordered government. It must be presumed, that the Legislature, at all times, and under all circumstances, intends to observe good faith. Laws, which are inconsistent with the good faith of the Legislature, which impair the validity of its contracts, and infringe on rights held under its own solemn guaranty, cannot for a moment, upon any consideration, be enforced. But are the general laws in regard to the investment of the deposits of savings banks inconsistent with the rights of the Provident Institution for Savings in Boston, as secured to it by its charter? The charter bears date Dec. 13, 1816. The first section incorporates the persons named, by the name, style and title of "The Provident Institution for Savings in the Town of Boston."

By the second section, the corporation is made capable of receiving deposits of money.

The third enacts "That all deposits of money received by said society shall be by the said society used and improved to the best advantage," and provides for the distribution of the income or profits thereof, and for the withdrawal of the principal.

The fourth section relates to the annual meeting, and election of members.

The fifth makes provision for a common seal, for making deeds, conveyances and grants, and covenants and agreements,—and that the corporation shall have power to sue and be sued, &c.

The sixth section provides for meetings and the election of officers.

The seventh section gives power to make by-laws—not repugnant to the constitution or laws of the Commonwealth.

The eighth and last provides for the calling of the first meeting.

This act, in effect, only incorporates certain persons as a savings bank, in the most general form, without any grant whatever of any particular or specific powers or privileges, as to the manner of conducting the business.

It accomplished, merely, what is the prime object of an incorporation, that is, "to bestow the character and properties of individuality upon a collective and changing body of men."

The act provides, that the corporation shall be capable of receiving

deposits, and enacts, "That all deposits of money received by the said society shall be by the said society used and improved to the best advantage." This last clause might, perhaps, be considered as merely enjoining a duty, and the general law, which prescribes how the investment shall be made, as pointing out the mode, in which that duty shall be performed. But at all events, the charter prescribes no mode, in which the investments shall be made, but is entirely silent on that subject. There is no grant or provision, whatever, in relation to it. If the Provident Institution for Savings in Boston claims the privilege of exemption from legislative action, on one of the legitimate subjects of legislation, it must show, that that privilege is granted in their charter. But there is no such express or implied grant. This corporation possesses only such powers, as are either expressly, or impliedly granted by its charter. There is no express grant in the charter for any power whatever, in relation to the mode of making investments.

Incidental, or implied powers, upon just principles of construction, can be made to embrace, at most, only such powers as are essentially necessary to enable the corporation to accomplish the purposes of its creation. Now the provisions of the general laws, prescribing the modes of investment, so far from taking from the corporation any power necessary to accomplish its appropriate business, are directly in aid and support of that power, and adapted and designed as safeguards to the corporation, that it might accomplish its appropriate duties, with greater safety and advantage, and the better answer the design of its creation.

It may, perhaps, be said, that the corporation, at the time it took its charter, could invest its deposits at its own discretion, without restriction as to the modes of investment. Be it so. But it thus acted, not by virtue of any special power or privilege granted in the charter, in relation to investments, because the charter is silent on that subject, but wholly under, and by virtue of the general laws of the Commonwealth. No special power or privilege being given in the charter, as to the mode of conducting its business, the corporation managed all its affairs according to the general laws. It took its charter subject to the general laws, and, of course, subject to such changes as might be rightfully made in such laws. The Legislature, surely, did not guarantee to the corporation that there should be no change in the laws, that the whole system of legislation should remain as it was in 1816. There were at that time, no general laws in regard to savings bank, as there were no savings banks. But after these institutions were established, and had become numerous and important, it was within the appropriate power of the Legislature, to make such general laws for their regulation, as the

public good might require, and there was nothing in the charter of the institution at Boston, to exempt it from the operation of these general laws, and it must, of course, be subject to them, in common with all the other similar institutions.

The Legislature, by giving to the institution in Boston the privilege of being a corporation, and of managing its proper business, did not relinquish any power of legislating on all proper subjects of legislation.

The institution, at the time it was incorporated, had the right and power, under the general laws, to loan money at six per cent. interest, but there can be no doubt that the Legislature could alter the law, so that the institution could take only four or five per cent. interest. The corporation had power under its charter, to hold and dispose of property, but there was nothing in the charter as to the mode, and of course, the property could be held and disposed of only according to the general laws, which the Legislature might, at any time, alter, and the corporation would be bound by the alteration.

The corporation might indorse and negotiate promissory notes, but only according to the general laws, as there was nothing in the charter on the subject, but the Legislature might change the whole law on this subject, at any time, or take away altogether, by general laws, the right to indorse and negotiate notes, and these laws would be binding on the corporation. But it cannot be necessary to extend these illustrations. The Legislature cannot be deprived of the power it holds for the public good, by any doubtful construction, or remote inference.

The position, that the Legislature has granted away any of its appropriate powers of legislation, can be supported only by clearly showing such grant. In the present case, there appears to be nothing in the charter of the Provident Institution for Savings in Boston, to exempt it from the provisions of the general laws, passed since the date of the charter, relating to savings banks, prescribing the modes of investments; and the undersigned are, therefore, of opinion, that that institution is subject to those provisions of those general laws.

LEMUEL SHAW.
CHARLES A. DEWEY.
THERON METCALF.
RICHARD FLETCHER.
GEO. T. BIGELOW.
CALEB CUSHING.

September 20, 1852.

Mass.: General court: Committees: Bank
and Banking: 1853 -
Reasons for Report of the Joint
Committee on Banks and Banking that
it is not expedient to repeal the "General
free banking law."
HOUSE....No. 33.

Commonwealth of Massachusetts.

HOUSE OF REPRESENTATIVES, January 20th, 1853.

ORDERED, That the Committee on Banks and Banking be instructed to consider and report upon the expediency of repealing the "General or Free Banking Law," passed in 1851.

HOUSE OF REPRESENTATIVES, January 22d, 1853.

Adopted. Sent up for concurrence.

WM. SCHOULER, *Clerk.*

SENATE, January 24th, 1853. Concurred.

CHARLES CALHOUN, *Clerk.*

Commonwealth of Massachusetts.

HOUSE OF REPRESENTATIVES, February 2d, 1853.

The Committee on Banks and Banking, to whom was referred the order to consider and report upon the expediency of repealing the "General or Free Banking Law," passed in 1851, have considered the same, and report, that it is not expedient to repeal the "General or Free Banking Law."

For the Committee,

S. HOOPER.

Commonwealth of Massachusetts.

HOUSE OF REPRESENTATIVES, February 14th, 1853.

The Joint Committee on Banks and Banking, to whom was re-committed their report, that it was inexpedient to repeal the act entitled "An act to Authorize the Business of Banking," with instructions to present to the House the reasons for such report, now ask leave to say :

That the order, on which the report was made, was only one of a great number of inquiries that the two branches of the legislature had directed the committee to make, and that they omitted to give the reasons of their report, with the view of presenting them in the general discussion that would naturally accompany their reports of the results of their several inquiries. The committee, however, take pleasure in complying with what they understand to be the wish of the house, by presenting, at the present time, a brief statement of the reasons why they deem it inexpedient to repeal the act in question.

The especial province of the legislature, in the exercise of its control over banks and banking, seems to your committee to be, to provide the greatest possible security that all bills that the banks issue by authority of the legislature, for general circulation, shall be immediately, and at all times, convertible into specie in the hands of the holders.

The statute in question authorizes what is called, and known as, free banking ; that is, it provides that a corporation may be formed for banking purposes without a special charter first obtained of the legislature. It seeks to provide a basis of

circulation hitherto unknown to the laws of Massachusetts. It requires that a certain enumerated class of public stocks shall be deposited with the State authorities, as a pledge for the redemption of any bills that may be issued for circulation. These stocks must vary in amount, at different times, and may, it is hoped, cease altogether to exist; the longest time that any can run, is so far from being commensurate with the life of a Commonwealth, that it would be unwise, in the opinion of the committee, for Massachusetts to rely upon them now, or at any future period, as a permanent basis for all the bank circulation, that her business will require. The committee forbear, at present, to allude to other reasons, that are believed to render it impracticable ever to establish the system contemplated by the statute in question, as the exclusive banking system of the State.

But the committee think, nevertheless, that stocks sufficient to commence the business of banking under the new law, are easily attainable, and since the law, if adhered to, provides a reasonable security to the bill-holder; and since the demands of business for a sound and sufficient bank circulation, are well supplied by the existing system, the committee think that the Free Banking Law should stand for the use of those who choose to resort to it. The law was supposed to be passed at the request of a large and respectable portion of the people of the State, and though the public delay to use the system undoubtedly suggested the order of inquiry as to its refusal, they are inclined to think that it is only the characteristic circumspection with which our people reflect upon a new and untried pursuit before they engage in it.

But the committee, interpreting the instructions by the discussion that occurred on the report, presume that the house desires to know whether, in the opinion of the committee, the non-repeal of the Free Banking Law will interfere with our existing banking system, or should prevent its expansion to meet the growing business wants of the community. Not at all.

The law, when passed, was not intended to supplant the present system of banking, or to obstruct its future growth. The legislature of 1851 established the law, and at the same

time expanded the present system, by making considerable additions to the bank capital of the State. There is no necessary conflict between the two systems, and they should not be driven to a quarrel. The existing banking system of Massachusetts is believed to be as good as that of any State of the Union. Its life has just been renewed, for a quarter of a century, by the legislature. The committee are now investigating the wants of the community as to further bank capital, as brought to their notice by the several petitions that have been committed to them. There are about fifty petitions, asking for nearly fifteen millions of further capital. The committee do not intend to recommend the granting a very large proportion of the capital asked for, but after making careful inquiry, they will recommend the granting such an amount as shall seem to be clearly required.

Respectfully submitted.

E. H. KELLOGG.
OSMYN BREWSTER.
J. G. THURSTON.
GEORGE H. FOLGER.
MATTHIAS ELLIS.

Commonwealth of Massachusetts.

HOUSE OF REPRESENTATIVES, Boston, }
February 14, 1853. }

The undersigned, a minority of the Committee on Banks and Banking, to whom was recommittd the report of the Committee, "*that it was not expedient to repeal the general banking law passed in 1851,*" with instructions to report, on or before Wednesday next, the reasons why, in their opinion, it is not expedient to repeal that law, having considered the same, and not agreeing with the majority of the Committee,

R E P O R T :

That while they concur with the majority of the committee in recommending that the general banking law should not be repealed, they are also of opinion that no new bank capital should be granted by special charters.

They concur with the majority of the committee in the opinion that the general banking law should be sustained. If the legislature concur in that opinion, and accept the report of the committee, the undersigned consider that the law should be sanctioned by this legislature as the settled policy of the Commonwealth; that it should not be left as a dead letter on the statute book, but that all new bank capital should be required to organize under it.

The general banking law makes no change in the established system of banking, nor does it introduce any new principles that militate against it. The only difference is, that the banks organized under that law are obliged to give security for their notes which are circulated as money, and are to obtain them from the Auditor of the State, whose duty it is to cause them

to be engraved and printed, of such denominations as may be required, to be countersigned and registered by him, and stamped on their face, "*secured by the pledge of public stocks*;" whilst those banks which are established by special acts are authorized to print and issue, at pleasure, bills for circulation as money, to the extent of 125 per cent. of their capital, without any security to the public that they will be redeemed.

No persons will avail themselves of this law, requiring them to pledge security with the Commonwealth, to secure the public against loss on their bills, if they can have a special act of incorporation for a bank under the old or usual form, authorizing them to print and issue bills to be circulated as money, without any security to the public that they will be redeemed; and therefore the undersigned are of the opinion that either the new law should be repealed, or that no new banks or increase of capital of existing banks should be granted by special acts.

Any persons, not less than ten in number, may organize themselves as a bank under the general law, and so much of their capital as they may invest in stocks and deposit as security for their circulation, is exempted from the bank tax, provided it does not exceed three-quarters of the capital of the bank.

It is in times of bank panics, and when a bank fails, that the advantages of a bank, organized under the general law, will be particularly appreciated, and the benefit realized from the State holding in trust, security for the redemption of the bills in circulation. When a bank fails, those who hold the bills must wait until the means can be collected to pay them, which is usually a long process, and of uncertain result, and the probability is, that many of the holders of the bills, particularly those least able to bear the loss, unable or afraid to await the result, would dispose of them to speculators on the best terms they could, long before the bank would be ready to redeem them; and it is for the interest of the debtors of the bank, (among whom are usually some of the most active directors,) to depreciate the value of the bills that they may buy them up at a low price to pay off their debts to the bank.

If a bank organized under the general banking law should fail, the holders of its bills, knowing that the State held in

trust stocks for the full amount of them, "equal in value to six per cent. stock of the State of Massachusetts," would feel that some delay of payment was the only consequence, and would hold the bills or dispose of them at a trifling discount. It is true, that this is making the holders of the bills in circulation as money, preferred creditors of the bank, to the extent of the value of the stocks deposited as security for them, and why should they not be? The circulation of the bank is so much borrowed from the public without interest, and is it requiring too much to claim, that when the bank invests those funds for its own benefit, the investment shall be of the safest character, and be specially held as security for the public, who, by circulating the bills, furnish the funds for the investment, at no cost to the bank, excepting the trifling expense of printing the bills for circulation, and the interest on the small amount of specie necessary for the purpose of redeeming any that may be presented for payment?

It seems fair and reasonable that banks should be permitted to loan freely, to whomsoever they please, the amount of their capital, and such proportion of the money intrusted to them on deposit, as they may find safe and convenient. It seems equally fair and reasonable, that the banks should invest, in the most secure manner, that portion of their funds which the public furnish to them without interest by using their notes for circulation as money, and which the bank invests or loans on interest for its own benefit; and that such investment should be held as a special security for the public who are circulating the notes.

Another still more important effect of the general banking law would be, to keep the amount of paper money in circulation more uniform, by restraining the excessive issues of it at one time, and the consequent withdrawing of the excess at other times, which produce sudden and violent fluctuations in the value of property. The banks organized under the general banking law, being obliged to obtain their bills from the Commonwealth, and to deposit security for them, would not be tempted to avail themselves of every opportunity to push their circulation to its utmost extent, but would take, as nearly as possible, the amount of bills which their business would war-

rant them in expecting to keep uniformly in circulation, instead of increasing and diminishing the amount of their issues of paper money with every change in the condition of the money market.

If we are to legislate for the public, we must endeavor to prevent the increase of the amount of paper money in times of feverish speculation, which stimulates, instead of restraining, the excitement of speculation, and the artificial increase in the value of property. When the depression comes, which is sure to follow, and the community need some aid to relieve them, the banks, instead of assisting others, have as much as they can do to take care of themselves, and are obliged to increase the trouble by withdrawing from circulation the excess of their paper issues. If the unfortunate debtors to the banks are able, by the sacrifice of property at low prices, to pay back their loans, the banks will be relieved by having their liabilities reduced to a safe point; but the relief has come from the sacrifices which the customers of the banks have made to meet their engagements, and which too often strip them of the accumulated earnings of years. These feverish speculations are occasioned, or, at least, stimulated by the excessive issues of paper money by the banks for their own benefit and profit, but the distress and loss occasioned by the depression which is sure to follow, falls upon the public, who received none of the benefit or profits.

The amount of the loans of the United States Bank on the 1st September, 1834, was \$47,059,498, and on the 1st June, 1835, was \$63,649,646; being an increase of more than 35 per cent. in the short period of nine months. Many of us can remember the fluctuations that occurred in the value of property of all kinds at that time, and those of us who do, would not like to encounter again the public distress which followed in 1837, and extended to every individual in the community.

The published items of all the banks in the United States show that the paper money has been increased from \$58,000,000 in 1843, to about \$160,000,000 in 1851. A gentleman of New York, distinguished for his intimate acquaintance with monied concerns and operations of the currency, in a letter published in the National Intelligencer, of Washington, says, in reference

to this increase of paper money, "the truth is, if we would have steady and permanent prosperity, there should be no paper money less than \$10; we never shall be in a permanent condition of currency, till all issues under \$10 are abolished. Strike out all under that denomination, and our paper money would be about \$80,000,000. Notwithstanding the government are now furnishing a good supply of small gold coinage, the banks of New England set their faces against it, and in travelling through those States, one scarcely sees a gold coin; nothing but 'ones,' 'twos,' and 'threes' of the banks. The circulation of the New England States is probably \$35,000,000, with little, if any, more than \$3,000,000 of specie. This is awful. Massachusetts and Vermont are the greatest sinners."

The undersigned believe the evils arising from these inflations and contractions of the currency, occasioned by the excessive issues of paper money, to be the strongest reasons against the creation of new banks by special acts, and for requiring new bank capital to be organized under the general banking law, which restrains the amount of the paper issues by requiring security for it.

If we suffer by the insecurity of the bills in our possession, it is only to the amount of them which we happen to have, but the evil effects of these inflations and contractions of the currency extend to the whole property of the community. If we have in our possession a large amount of property, for which we are largely in debt, an inflation of the currency and consequent rise in the value of property makes us suddenly rich; on the other hand, a contraction of the currency and consequent depreciation of property renders us bankrupt.

When the bank of England was rechartered, a few years since, although a national institution and partly under the control of the government, it was not intrusted with the power to expand and contract the currency by its issues of paper money. It was allowed to issue £14,000,000, and required to keep the same amount specially invested in government stocks; for every note issued beyond that amount, it was required to keep the specie in its vaults; so that it has no interest in extending its issues of paper money beyond £14,000,000, as it is not

permitted to loan or invest it, but obliged to keep the amount at hand in bullion or coin. No other bank in England is allowed to issue any bills. We are asked to increase the paper circulation by the creation of \$15,000,000 of new bank capital, when there is now more than \$160,000,000 of paper money in the United States, while that of all England is only £14,000,000, equal to \$68,000,000 of our money.

Since the peace of 1815 Great Britain has been constantly strengthening her currency, which had depreciated during the war. Specie payment was soon resumed, and the issue of bills below £5 was prohibited. Now the smallest paper money in England is £5, equal to $24\frac{42}{100}$ dollars, and in France 500 francs, equal to \$95 of our money, in consequence of which the large amount of money used by the people in the everyday business of life, is retained in those countries in gold and silver.

We are to legislate for the public, and not for the comparatively few gentlemen who would be benefitted either as stockholders or by the increased facilities to borrow money of these banks, which require fifteen millions of capital to be incorporated. If the petitions for new bank capital are granted, it may for a time accommodate the gentlemen who are interested in them, but it would be doing a great injury to that portion of the community who live on wages. One dollar a day is not better wages than fifty cents a day unless it will buy more. The only effect of this increase of banks and paper money to those who live on wages would be to diminish the quantity of the necessities and conveniences which they could provide for their families from the wages they receive. Mr. Webster says:—"Did wild schemes and projects ever benefit the industrious? Did violent fluctuations ever do good to him who depends upon his daily labor for his daily bread? These things may gratify the greediness for sudden gain, or the rashness of sudden speculation, but they can bring nothing but injury and distress to the homes of patient industry and honest labor. Who are they that profit by this state of things? They are not the many but the few; they are the speculators, brokers, dealers in money and lenders of money at exorbitant interest." The public have a vital interest in the security and soundness of the currency,

and the legislature should not mistake the calls which come from State Street, and from a few interested parties in various parts of the Commonwealth for public opinion.

The principle of the general banking law, although new in this Commonwealth is not an untried experiment. By the exertions of Millard Fillmore it was established and has been successfully carried out since 1838 in the State of New York. Its operation there is satisfactory to the banks and to the people, and the chartered banks as fast as their charters expire, organize under the new law instead of applying to their legislature for new charters. In framing the act of 1851, the defects, which experience had shown to exist in the laws of that State, were carefully considered, and such improvements introduced as had been found beneficial. If additional defects in the details should hereafter be found to exist in the law, they can doubtless be remedied by legislative action whenever experience of its practical operation renders them apparent.

When the general banking law was passed in 1851, the friends of the law supposed that all new bank capital would be organized under it; but the friends of those gentlemen who had applied for new bank capital, urged as a reason for granting the petitions for special charters, that the bank committee had required of them to make up their subscription for the amount of their capital stock before they would hear them; and that the trouble and expense of doing it would be all lost if they were required to organize under the new law. The opponents of the new law, united with the friends of all these various petitioners for new bank capital accomplished their purpose, and more than five millions of new bank capital was granted, which will fully account for the fact that no banks have been established since under the general law.

The whole paper circulation of the banks of the State of New York on the 1st December, 1852, was \$38,790,985; of this \$19,631,929 was by incorporated banks,

\$19,159,056 by banks organized under the general banking law of that State. A report is made to their legislature every year, with a statement of the securities held for each bank, and the amount of circulation issued on them, which is printed, and enables any one to know the security deposited with the

State upon which the bills in circulation of each bank are based.

There seems to be no reason why the law should not be as satisfactory in Massachusetts as in New York. It may possibly diminish slightly the profit of stockholders, but far more than the difference will be gained by the public ; and it is of less importance that banks should be highly profitable to the stockholders than that they should be safe and useful to the community.

The applications for new bank capital amount to about fifteen millions of dollars. The question before the house must be whether the general banking law shall be sustained, requiring new capital to be organized under it as the wants of the community may render it necessary ; or whether this enormous amount which has been petitioned for shall be chartered. Every one admits that such an increase of bank capital would produce a ruinous inflation of the currency. In the seven years from 1831 to 1837, the increase of banking capital in Massachusetts was \$18,985,000, and by the report from the Secretary of State it appears that the proportion of paper money to specie in 1835 and 1836 was about the same as now. The present system of specially chartered banks is the same that existed in 1837. There are few, if any, more restrictions or safeguards established by law than there were then, when the losses by bank failures were so widely diffused and the necessity of some practical remedy against the future recurrence of them was so deeply felt and realized. Is it not because the evil was so deeply felt and realized at that time, that our banks have since been in a prosperous and sound condition ? If the laws remain essentially the same, if we do not make such changes in our banking laws as will secure the public against the recurrence of such evils, what security is there that past experience will not be forgotten—that the same condition of things will not return ?

It appeared at the examination before the committee, on the petition for a new bank in Boston, with a capital of three million dollars, that the Provident Institution for Savings, in Boston, subscribed one-and-a-half millions of dollars of the capital stock, and preferred to have it organized under the

general banking law, as they considered it a safe and conservative law, and they wished to make their deposits with the bank, and to pay out its bills. Another gentleman stated, that none of the "getters up" of that bank wished it to be organized under the general law, but explained afterward, that he was the only "getter up" of the bank, and had spoken of himself in the plural number to appear less personal. With regard to another bank, with a capital of one hundred thousand dollars, it was stated that the subscribers had voted to organize it under the general banking law, if no bank charters should be granted by the legislature.

If we discriminate, as some of the committee think is possible, and grant five millions of new bank capital, to which of the petitioners shall it go? Shall we grant it to banks with large capitals to make them larger, and refuse it to those of smaller capitals? Shall we grant it to create new banks of large capital and refuse it to small ones? Shall we grant it to those petitioners who are more wealthy, and refuse it to younger and more active business men, but of less wealth, and therefore more in need of facilities to borrow money? They all come for it with eagerness, each considering their own case to demand particular notice, but nearly all of them agree that it is better to grant none than to grant the whole.

The undersigned believe that the only safe course is to hold to the general banking law, which the committee unanimously think is a good law that should not be repealed, and that all new bank capital should be required to organize under it. The experience of banks in the State of New York, has proved that the objection urged against organizing under the general law, that it may not be so profitable to the stockholders, is without foundation, and the difficulty of finding the necessary amount of security to pledge for a large circulation, will not operate as a public injury or inconvenience. If the operation of the law is found beneficial and convenient, as it has been in other States, its restrictions and provisions can be applied hereafter to the present chartered banks, so that by the time their present charters expire, if not long before, all the banks in the Commonwealth will be organized under the general banking law, and one of the indirect benefits from it will be that larger

amounts of the stocks of the country, both National and State, will be held at home, and the interest on them be paid to our citizens, instead of being sent out of the country as an annual tribute to Great Britain.

For the foregoing reasons, and believing that the currency will be sufficiently secured under the general banking law, and that capital may be safely left to take care of itself without legislative aid, the undersigned concur in the unanimous report of the committee, that, *the general banking law passed in 1851 should not be repealed*, and they also recommend *that the committee be instructed to report leave to withdraw on the various petitions for bank capital.*

S. HOOPER.

CHAS. A. STEVENS.

SENATE....No. 24.

Commonwealth of Massachusetts.

SECRETARY'S OFFICE, }
Boston, January 28th, 1853. }

SIR :—In compliance with an order of the Senate, dated January, 25th inst., I herewith transmit the particulars relating to banks, from 1830 to 1852, inclusive, viz. :—Capital, specie, proportion of circulation to specie, circulation and deposits, proportion of circulation and deposits to specie, bills in circulation five dollars and upwards, and bills less than five dollars.

I have the honor to be,

Most respectfully,

Your obedient servant,

E. M. WRIGHT.

To the President of the Senate.

A Table exhibiting the Condition of the Banking Capital, with the Amount and Relative Proportion of Bills in Circulation of the Banks in this Commonwealth, from the Year 1830 to 1852, inclusive.

	Total Amount of Bank Capital.	Amount of Specie.	Proportion of Circulation to Specie.	Amount of Circulation and Deposits.	Proportion of Circulation and Deposits to Specie.	Bills in circulation of \$5 and upwards.	Bills in Circulation of less than \$5.	Total amount of Bills in Circulation.
1830	\$19,295,000 00	\$1,258,444 05	\$4.07 1-10 to 1.	\$8,699,047 04	\$6.91 2-10 to 1.	No Division.	No Division.	\$5,124,090 00
1831	21,439,800 00	919,959 73	8.41 2-10 "	12,141,282 62	13.19 7-10 "	"	"	7,739,317 00
1832	24,520,200 00	902,205 78	7.88 3-10 "	10,001,826 33	11.15 2-10 "	"	"	7,122,856 00
1833	28,236,250 00	922,309 84	8.55 3-10 "	11,605,293 04	12.58 2-10 "	"	"	7,889,110 67
1834	20,409,450 00	1,160,296 09	6.59 3-10 "	12,560,290 47	10.82 4-10 "	"	"	7,650,146 75
1835	30,410,000 00	1,136,444 30	8.29 8-10 "	15,852,024 30	13.94 9-10 "	"	"	9,430,357 72
1836	34,478,110 00	1,455,230 47	7.48 5-10 "	19,676,766 44	13.52 1-10 "	"	"	10,892,249 50
1837	38,280,000 00	1,507,984 02	6.76 7-10 "	18,740,316 73	12.34 5-10 "	\$7,654,366 46	\$2,618,752 25	10,273,118 71
1838	34,630,000 00	2,394,624 24	3.92 5-10 "	16,523,154 77	6.90 1-100 "	7,651,185 25	1,749,327 50	9,400,512 75
1839	34,485,600 63	1,838,272 99	4.28 4-10 "	12,642,733 00	6.87 1-100 "	6,407,472 00	1,467,850 50	7,875,322 50
1840	33,750,000 00	2,991,804 50	3.04 5-10 "	16,370,292 80	5.47 1-10 "	7,509,875 00	1,513,007 25	9,112,882 25
1841	33,360,000 00	3,111,837 84	3.05 5-10 "	16,654,011 55	5.35 1-10 "	7,899,677 00	1,609,435 00	9,509,112 00
1842	32,631,060 00	2,682,309 55	3.00 1-10 "	14,180,071 48	5.24 9-10 "	6,633,496 00	1,416,410 75	8,049,906 75
1843	31,089,800 00	7,298,815 69	1.26 3-10 "	16,518,083 19	2.26 3-10 "	7,871,567 50	1,347,700 00	9,219,267 50
1844	30,020,000 00	4,587,140 80	2.65 5-10 "	24,417,463 91	5.32 3-10 "	10,435,630 25	1,747,528 00	12,183,158 25
1845	30,970,000 00	3,357,904 35	4.27 4-100 "	26,007,819 91	7.74 5-10 "	12,297,879 75	2,041,806 25	14,339,686 00
1846	31,160,000 00	3,054,755 68	4.77 6-10 "	24,031,290 42	7.21 8-10 "	12,329,385 00	2,292,529 50	14,591,914 50
1847	32,113,150 00	3,943,973 58	4.36 1-100 "	27,461,917 38	6.96 3-10 "	14,719,422 00	2,476,940 25	17,196,362 25
1848	32,985,000 00	2,578,030 32	5.11 8-10 "	21,290,999 48	8.25 8-10 "	10,807,192 00	2,388,837 00	13,196,029 00
1849	34,630,011 00	2,749,917 32	5.70 9-10 "	25,576,252 22	9.30 7-100 "	13,014,194 00	2,686,741 25	15,700,935 25
1850	36,925,050 00	2,993,178 29	5.68 1-10 "	28,182,653 84	9.41 5-10 "	13,984,953 00	3,020,873 25	17,005,826 25
1851	38,265,000 00	2,478,858 78	7.94 5-10 "	32,664,473 47	13.17 7-10 "	16,365,195 50	3,329,502 75	19,694,698 25
1852	43,270,500 00	3,563,782 52	5.94 9-100 "	36,239,573 97	10.16 8-10 "	17,382,502 00	3,789,867 75	21,172,369 75

Mass.: General court. Committee Banks
and Banking. 1853—
Report of the Joint Standing
committee on Banks and Banking on
the expediency of certain proposed
measures of legislation relating to banks.
SENATE....No. 85.

Commonwealth of Massachusetts.

IN SENATE, March 23, 1853.

The Joint Standing Committee on Banks and Banking, having been charged by the legislature with the duty of inquiring as to the expediency of certain proposed measures of legislation, and also of hearing various petitions, ask leave to

REPORT:

Orders have passed the legislature at different times directing the committee to inquire into the expediency of

1st. Altering the general banking law of 1851 so that any one individual may establish a bank under it.

2d. Amending said act so that mortgages of real estate in Boston may be pledged to secure the issue of bills under said act.

3d. Allowing stocks of railroads that are at par in open market, and whose eastern terminus is in the city of Boston, including the Western Railroad, to be received as pledges at a certain per centum of their par value.

4th. Amending the laws so that only a majority of directors will be required to reside or have their place of business, in the county where the bank is located.

5th. Authorizing the appointment of an additional bank commissioner.

6th. Requiring bank officers to mark all counterfeit bills

presented to them, with the word "counterfeit," and make a record of the same.

7th. Dividing the surplus profits of any bank before it can have the benefit of any increase of capital stock authorized by the legislature.

8th. Allowing banks to loan upon their surplus funds actually earned, but undivided, by their paying taxes to the Commonwealth as they now do upon their capital stock.

9th. Allowing banks to pay interest not more than five per cent. on deposits made by executors, administrators, guardians, assignees of insolvent debtors, trustees for married women, persons insane, and *non compos* and minors.

*Petitions before the Committee for New Banks, and for increase
of Capital by existing Banks.*

SUFFOLK COUNTY.

Name of Petition.	Where Located.	New Bank.	Increase.
Wm. Thomas and others, . . .	Boston, . . .	\$3,000,000 00	—
Wm. Eaton and others, . . .	South Boston, . . .	150,000 00	—
David Sears, Jr., and others, . . .	Boston, . . .	300,000 00	—
Geo. W. Robinson, & others, . . .	Boston, . . .	1,000,000 00	—
John H. Wilkins and others, . . .	Boston, . . .	500,000 00	—
Freeman's Bank,	Boston,	—	\$100,000 00
Tremont,	Boston,	—	1,000,000 00
Blackstone,	Boston,	—	250,000 00
Grocers',	Boston,	—	700,000 00
Commerce,	Boston,	—	1,500,000 00
Mechanics',	Boston,	—	100,000 00
Boylston,	Boston,	—	100,000 00
Shawmut,	Boston,	—	500,000 00
North America,	Boston,	—	500,000 00
Eagle,	Boston,	—	250,000 00
Atlas,	Boston,	—	500,000 00
Merchants',	Boston,	—	2,000,000 00
Granite,	Boston,	—	250,000 00
North Bank,	Boston,	—	250,000 00
Union,	Boston,	—	500,000 00

MIDDLESEX COUNTY.

Name of Petition.	Where Located.	New Bank.	Increase.
Amory Houghton and others,	E. Cambridge,	\$200,000 00	—
S. H. Dodge and others, .	Cambridge, .	100,000 00	—
Horace Howard and others, .	Lowell, . .	100,000 00	—
A. Thompson and others, .	Woburn, . .	100,000 00	—
E. Thompson and others, .	Hopkinton, .	100,000 00	—
Waltham Bank, . . .	Waltham, . .	—	\$50,000 00
Prescott,	Lowell, . . .	—	50,000 00
Cambridge Market, . .	Cambridge, . .	—	50,000 00
Cambridge,	Cambridge, . .	—	50,000 00
Malden,	Malden, . . .	—	50,000 00

ESSEX COUNTY.

Josiah G. White and others, .	Methuen, . .	\$100,000 00	—
Asiatic Bank,	Salem, . . .	—	\$10,000 00
Village Bank,	Danvers, . .	—	40,000 00
Gloucester Bank, . . .	Gloucester, .	—	100,000 00
Lynn Mechanics', . . .	Lynn, . . .	—	100,000 00
Laighton,	Lynn, . . .	—	150,000 00

NORFOLK COUNTY.

Samuel Walker and others, .	Roxbury, . .	\$100,000 00	—
E. Winslow and others, .	Roxbury, . .	100,000 00	—
Quincy Stone Bank, . .	Quincy, . . .	—	50,000 00
Dedham Bank,	Dedham, . . .	—	50,000 00
Weymouth Bank, . . .	Weymouth, . .	—	50,000 00

BRISTOL COUNTY.

Name of Petition.	Where Located.	New Bank.	Increase.
Richard Borden and others, .	Fall River, .	\$400,000 00	—
Bristol County Bank, . .	Taunton, .	—	\$100,000 00
Taunton Bank, . . .	Taunton, .	—	50,000 00
Machinists' Bank, . .	Taunton, .	—	100,000 00

WORCESTER COUNTY.

Mechanics' Bank, . .	Worcester, .	—	100,000 00
Worcester Bank, . .	Worcester, .	—	50,000 00
Central, . . .	Worcester, .	—	150,000 00
Leicester Bank, . .	Leicester, .	—	100,000 00
Milford Bank, . . .	Milford, .	—	50,000 00

PLYMOUTH COUNTY.

Old Colony Bank, . .	Plymouth, .	—	100,000 00
Plymouth Bank, . . .	Plymouth, .	—	50,000 00
Abington Bank, . . .	Abington, .	—	50,000 00
Hingham Bank, . . .	Hingham, .	—	35,000 00

BARNSTABLE COUNTY.

Barnstable Bank, . .	Yarmouth, .	—	100,000 00
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HAMPSHIRE COUNTY.

Hampshire Manufacturers', .	Ware, . .	—	50,000 00
Hadley Falls, . . .	Holyoke, .	—	100,000 00

HAMPDEN COUNTY.

Name of Petition.	Where Located.	New Bank.	Increase.
Geo. Merriam and others, .	Springfield, .	\$200,000 00	—
Hampden Bank, . . .	Westfield, .	—	\$50,000 00
Westfield,	Westfield, .	—	50,000 00

FRANKLIN COUNTY.

Franklin County Bank, .	Greenfield, .	—	50,000 00
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BERKSHIRE COUNTY.

David Carson and others, .	Pittsfield, .	200,000 00	—
Lee Bank,	Lee, . . .	—	50,000 00
Mahaiwe Bank, . . .	Gt. Barrington,	—	50,000 00

The committee before attending to the several orders of inquiry above named, proceeded to hear the petitioners for new bank capital, expecting that those investigations might aid them in determining what further legislation was necessary in regard to banks and banking. Pursuing the same order, the committee will now present the result of their deliberations upon the several petitions.

The sum of the new bank capital that the legislature is asked to authorize by the petitions now before the committee, is seventeen millions three hundred and ninety-five thousand. Of this sum, Boston asks for thirteen millions four hundred and fifty thousand. The combined requests of Boston, Cambridge, and Roxbury cities, closely allied in business, amount to fourteen millions and fifty thousand dollars. The petitions asking for this large amount of new bank capital in these three places are twenty-six in number ; nine, for new banks, and seventeen for enlarging the capital stock of existing banks ; the first class, for five millions four hundred and fifty thousand dollars, and the second, for eight millions six hundred thousand. These latter petitions, presenting to the committee the wants of the same business community through their several channels, are supposed to pray for a greater portion of new bank capital than that community would ask for, if it could speak with one voice. A new bank is projected in State Street, on a large scale, with a view to supply a large and important class of customers ; and it is followed by two or three other banks, projected also on a large scale, to be located in the same quarter of the city ; and it would be strange if they did not all have in view, to some extent, the supply of the same wants. An existing bank also presses for a large increase of capital, in order to discount good paper of old customers that it has had to refuse, as well as to admit new customers who have frequently knocked at its doors, while many other banks are equally urgent for more capital to supply wants, many of which are made known at all their counters, and which, while they want but one supply, are presented to the committee as asking for several. The committee, therefore, concur with what seems to be the prevailing opinion of the best business men of Boston, many of whom have been before the committee and expressed their views, that if the

wants of the metropolis had been expressed in a single petition, instead of the sum so largely exaggerated by the circumstances alluded to, the legislature would have been asked to grant an amount comparatively quite moderate. These observations will apply, though with less force, to petitions from a few other localities in the State, though for the most part this latter class represent, in a less complicated manner, the wants of the several business districts from which they spring. These applications come from all parts of the State, and in the free and full hearings that the committee have cheerfully accorded to each class of petitioners, they have had abundant opportunity to learn the urgency with which these applications are sustained by our business community. These representations have been carefully scrutinized to see,

1st. What additional bank capital was really sought for ; and,

2d. Whether the petitions were prompted by capital seeking investment, or business seeking further means to facilitate its operations.

As to the amount of additional bank capital earnestly prayed for, the petitioners all concurred in saying that the existing bank capital of the State cannot furnish all the facilities that its business absolutely requires. Large amounts of Boston paper, and of some other localities, go out of the State to be discounted. Existing banks applying for more capital, represent, by their officers and their records of application for discounts, that they are obliged to refuse an important portion of good paper that is offered, some a quarter, some a third, and others one-half. These representations are fortified by the testimony of business men surrounding the banks, who are neither officers nor stockholders, but who generally sustain the petitions with more earnestness than either. The increase of population, the rapid growth and expansion of business in the different parts of the State, are presented ; the brief periods in which it doubles, trebles, and quadruples, are stated ; the great activity and enterprise that characterize our various pursuits, are depicted ; and in short, our Massachusetts industry is represented to be now performing more labor and reaping richer rewards than ever, in her triangular field of commerce,

agriculture, and manufactures. Our people evidently consider banks as indispensable to the proper prosecution of business, as means of transportation are to commerce; and they therefore seek to have the growth of bank capital hold some relation to the growth of business. Admitting that the amount of bank capital should be adjusted with some regard to the amount of business, the legislature can readily recur to sources of information, other than the petitioners, that will confirm the testimony they have given as to increase of business. The business of the State cannot be easily computed, but population and wealth will serve as a partial guide.

Population of the State.

1840,	.	.	.	.	.	737,699
1850,	.	.	.	.	.	994,499
						<hr/>
						256,800

Increase in 10 years, or 34 per cent.

Taxable Property.

1840,	.	.	.	.	\$299,878,329
1850,	.	.	.	.	590,531,881
					<hr/>
					\$290,652,552

Increase in 10 years, or 96.92 per cent.

Bank Capital.

1840,	.	.	.	.	.\$33,750,000
1850,	.	.	.	.	36,925,050
					<hr/>
					\$3,174,950

Increase in 10 years, or 9.40 per cent.

Population of Boston.

1840,	.	.	.	.	98,383
1850,	.	.	.	.	138,788
					<hr/>
					40,405

Increase in 10 years, or 41 per cent.

Taxable Property.

1840,	.	.	.	.	.\$94,581,600
1850,	.	.	.	.	. 179,525,000
					<hr/>
					\$84,933,400

Increase in 10 years, or 90 per cent.

Bank Capital.

1840,	.	.	.	.	.\$17,850,000
1850,	.	.	.	.	. 21,760,000
					<hr/>
					\$3,910,000

Increase in 10 years, or 25 per cent.

Population of the City of Worcester.

1840,	.	.	.	.	7,497
1850,	.	.	.	.	19,059
					<hr/>
					11,562

Increase in 10 years, or 127 per cent.

Taxable Property.

1840,	.	.	.	.	.\$3,696,904
1850,	.	.	.	.	. 11,088,506
					<hr/>
					\$7,388,602

Increase in 10 years, or 199 per cent.

Bank Capital.

1840,	.	.	.	.	.\$650,000
1850,	.	.	.	.	. 750,000
					<hr/>
					\$100,000

Increase in 10 years, or 15 per cent.

Population of Fall River.

1840,	.	.	.	.	6,451
1850,	.	.	.	.	11,170
					<hr/>
					4,719

Increase in 10 years, or 73.12-100 per cent.

Taxable Property.

1840,	.	.	.	.	.	\$2,552,121
1850,	.	.	.	.	.	6,091,250
						<hr/>
						\$3,439,129

Increase in 10 years, or 134.75—100.

Bank Capital.

1840,	.	.	.	.	.	\$400,000
1850,	.	.	.	.	.	400,000
						<hr/>

No increase.

If the new bank capital authorized in 1851 (\$5,005,500) be added, it will make the percentage of increase 24.26 from 1840 to 1853. If the amount of taxable property that has been added since 1850 could be ascertained, a much greater percentage of gain would probably appear.

These figures show the rapidly increasing wealth of the State, and indirectly, the great growth of its business, for the property of Massachusetts is employed, to a great extent, in its own business. They, therefore, serve to confirm the views, that, in the opinion of the committee, are deliberately entertained by the business community, that the present bank capital is insufficient for the proper supply of its wants, and that it should be increased in some proportion to the growth of business.

As to the second inquiry, it is obviously the duty of the legislature to see whether the petitions are prompted by capital seeking investment, or business seeking a supply of its wants; for it has never been the policy of Massachusetts to clothe capital with the high prerogative of issuing a circulation, unless it was demanded by the wants of business. The committee apprehended that capital had been strongly attracted to this form of investment, from the fact that the existing banks, though still retaining on hand large surplus profits, had divided, for the last few years, much more liberal dividends than formerly, as the following statement will show.

The average annual dividends of all the banks in the State for the last fifteen years, have been nearly as follows :

1838, . . 5.94 per cent.	1846, . . 5.95 per cent.
1839, . . 5.92 "	1847, . . 6.54 "
1840, . . 5.58 "	1848, . . 7.27 "
1841, . . 5.94 "	1849, . . 7.65 "
1842, . . 5.98 "	1850, . . 7.42 "
1843, . . 5.90 "	1851, . . 7.42 "
1844, . . 4.80 "	1852, . . 7.68 "
1845, . . 6.00 "	

They, therefore, looked with care to the sources whence the petitions originated, and they are satisfied that, for the most part, they were moved by the first class of business men ; those engaged in active and thriving pursuits ; men who are not seeking particularly for the investment of surplus funds ; but who are willing to spare some money from their business, to help stock an institution that shall have the power to facilitate their and their neighbors' commercial transactions. These men apply to other persons, and various orders of institutions, that have money to invest, and readily obtain their engagements to take stock. It is believed that such new capital as the legislature may authorize, will be distributed to the same classes and institutions, and in nearly the same proportions, as existing stock is now held.

The present bank capital is \$43,270,500, and is held nearly as follows :

Men,	\$21,344,667
Women,	6,181,500
Trustees, Guardians, Administrators, &c.,	4,807,833
Institutions for Savings,	3,090,750
Insurance Companies,	6,181,500
Charitable, Literary, Scientific, and other Institutions,	1,664,250
	<hr/>
	\$43,250,500

These petitioners ask, with the emphasis of a united voice,

that the legislature will authorize the new capital to be used under the old banking laws of the State. The petition of the Merchants' Bank, Boston, is hardly an exception, for though the form of the petition is in the alternative, that the increase may be granted under the old system, or under the laws of 1851, (known as the New York Free Banking System,) the very intelligent president of the bank informed the committee that the owners of the bank wanted the increase under the old system, for the cogent reason, that they did not know how they could use it under the laws of 1851, without establishing a new bank. He also informed the committee that the alternative was put in the petition at the suggestion of one of its directors, who is fortunately a very able and useful member of this committee, but who has not succeeded in explaining to the committee the difficulty suggested by the president. The committee believe the Merchants' Bank to be a very safe and useful institution, but as it has already by far the largest capital of any bank in the State (\$3,000,000), the committee are happy to find that they can stay the embarrassment that would be thrown upon the directors by a grant of the petition in its alternative form, and yet very well subserve the better public interests of Boston, by recommending to the favor of the legislature the petitions of banks with a smaller amount of capital. Though the petitioners all prefer the old system, it has not escaped the notice of the committee that a portion of the public profess to be opposed to the further expansion of the present system of banking, and urge that all new capital should be organized under the law of 1851. The argument in favor of the law of 1851 has been so often enforced upon the committee, with such cogency of reasoning, novelty of statement, and aptness of illustration, by two of its most strenuous patrons, (our associate before alluded to, and one other worthy member of the committee,) that we must ask leave, (out of respect to them,) to submit somewhat in detail, though briefly, the reasons why it has made no impression on us.

Before we cast aside our present system, and resort to one that is only known to our State as a shadowy, spectral theory, upon our statute book, and as a doubtful experiment, at most, elsewhere, we should weigh well some important considerations.

1. In 1849 the charters of the then existing banks were about to expire. They numbered one hundred and nineteen. Of these, sixty-three existed in 1830, and were then rechartered for twenty years. The rest had been authorized intermediately by the legislature, as the business of the State had required. The lives of all were alike limited to 1850, that changes in the charters or the system might be introduced if thought expedient; and 1849 was the time to consider the expediency of altering the system. If any man suppose that that appropriate period of time was not improved by deliberating upon the expediency of change of charter or system, he is sadly out of his reckoning. The subject was canvassed by the people, and by their representatives in the legislature of that year. Quite unmindful of duty, indeed, had our predecessors been, if they had slumbered over this important subject. No proposition for change, however, was made to or in the legislature, for the simple reason, that in and out of the legislature it was concluded that no improvement could be made by change. And this conclusion was reached with the world of experience as fully before them as now, including the Empire State. The charters were renewed, without a dissenting voice in or out of the capital; and thus did the Commonwealth and its legislative councils utter a distinct and formal approval of a system which they had tried for many years.

2. The system gives at present the greatest satisfaction to the various business classes of the State, and inspires a confidence in its circulation that sends it, current and unobstructed, through the trade-channels of the greater part of the Union. A man with his bank bill dollars, be they ten or ten thousand, may pass them in any of the New England market places like silver and gold; and may, with the same facility, deposit them in any bank, and receive instead the specie. And so he may go trading on the Canada lines, pleasure-seeking down the St. Lawrence, wool-gathering in Ohio, prospecting for copper around Superior, or fur-trading to the roots of the Rocky Mountains, and he will find himself a welcome customer, if he have an abundance of the Massachusetts paper rocks in his pocket. Where or when has a State currency obtained such a sweep of

circulation, or returned with richer fruits to the people whose laws establish and sustain it.

This distinct approval, by the State, of our mode of banking, by the renewal of the charters in 1849, and the present abounding prosperity of our banking institutions, arise from the healthy constitution of the system, which is found in the laws and practice of the Commonwealth. In the first place, the legislature will not grant a charter except for localities whose business, it is made to appear, clearly require a bank. If this requirement is fulfilled, the next condition is, that there shall be sufficient capital ready, engaged, subscribed, to stock the bank. If the charter be accorded, the general laws next come in, and require that no business shall be done under the charter, until the directors satisfy, upon oath, a board of commissioners appointed by the governor, that the capital stock is actually paid in, in specie, by the stockholders, in payment of their respective shares, and for no other purpose, and that it is intended that the same shall remain therein, as part of said capital. *Rev. Stats. c. 36, § 4.*

They are not allowed to incur a debt or give credits over twice the amount of their capital stock. § 9.

They may issue and circulate bills twenty-five per cent. beyond their capital stock. § 8.

They must redeem their bills in specie on demand, or pay two per cent. a month to the holder. § 61.

If any of the capital stock be lost through the mismanagement of the directors, the stockholders must replace it or lose their charter. *Rev. Stats. c. 36, § 30. Baker and others vs. Atlas Bank and others, 9, Metcalf, 182.*

When the charter of a bank expires, or it stops payment, the stockholders are liable for the redemption of its bills in proportion to the amount of stock they may hold, and this liability attaches to corporation as well as individual stockholders. *Rev. Stats. c. 36, § 31 and 33.*

To prevent stockholders from escaping from this liability by a transfer of stock, believing the bank is about to stop payment, the law provides that transfers made with this intent, shall be void so far as the liability is concerned. So, if a stockholder, believing that the bank is insolvent, shall, within

six months of the expiration of its charter, transfer his stock with intent to avoid the liability, the transfer shall be void so far as the liability is concerned. *Mass. Laws*, 1849, c. 32.

One bill-holder may sue for himself and all others, and hold stockholders individually, to the amount of their stock, for the redemption of their bills. *Rev. Stats. c. 36, § 31. Crease vs. Babcock*, 10 *Metcalf*, 525.

But there is another law, not enacted by the legislature, but the result of the assent and practice of our banks for thirty years, which perfects the system. It is known as the Suffolk System of Redemption, and extends to all the banks of New England. For a moderate compensation, the Suffolk Bank redeems the bills of all other New England banks, or takes them at their par value, and calls at the same time on each of the banks to come and take up their bills in its possession. This call is made every day, and each bank, therefore, must see to it, that its circulation is not too large, or its resources too small to meet the demand. If the circulation is too large, and the bank hesitates to meet the call, the Suffolk Bank apprises the community of it. In this way the banks are obliged to be constantly on the watch, to be able to redeem their circulation. Here, in the Suffolk Bank, is the great New England ledger, from which a balance sheet is made up every day, and which affords a practical test of the strength or soundness of each bank from day to day. It is practically an endorsement by the Suffolk Bank, of all the promises of the other banks; and having the best means of knowing the strength of each bank, when it withdraws its endorsement from the notes of any bank and gives notice of it, the community withholds its confidence, and the notes become uncurrent.

Now let us examine the character of the system with which it is proposed to supplant the existing one. It may be found in the banking law of 1851. It is said that the intention of the legislature, in passing that law, was to require that all new bank capital should be used according to its provisions, and that sooner or later, all the banks of the State should be organized under it. On this view of the subject, three observations may be made.

1. It was not the intention of the law of 1851 to supplant or obstruct the present system.
2. It could not if it would.
3. It should not if it could.

(1.) This alleged intention of the act of 1851 is poorly sustained by what the lawyers call the *res gestæ*, or the accompanying acts of the legislature; for, on the same day, other laws were passed authorizing new bank capital under the old system, to the amount of five millions of dollars and upwards. The truth is, the legislature were moved by the zeal of a distinguished and extremely worthy member, (now mayor of Charlestown,) who introduced and patronized the measure, and whose happiness seemed very much involved in its passage. They hardly hoped the exotic would flourish upon our soil. They shrewdly suspected they were taking aboard the statute book a dead-head; and now, after two years' trial, it is clear that the law has not done enough to pay for its passage. If the intention of the legislature, therefore, in passing the act, is to be gathered from the attending circumstances, and the results of two years' experience, they must certainly be acquitted of having harbored any serious designs upon the present system.

(2.) The law cannot become the exclusive system of banking in Massachusetts, with whatever intentions it may have been passed. The most noticeable feature in the new system is the contrivance by which it undertakes to make the circulation stable and convertible. A class of public stocks are enumerated and required to be deposited with the auditor, to secure the redemption of all bills that may be issued, and then the circulation flows forth from the bank to the amount of the pledge; and, as if not quite sure of the public confidence, blazons upon its front the ensign of its credit—"Secured by the pledge of public stocks!" The stocks allowed to be used by the law are those of the United States, the New England States, New York, and the cities and towns of the Commonwealth. The stocks when used must be "equal to six per cent. stocks of the State of Massachusetts." Now every busi-

ness man knows, that if he goes into the market and purchases Massachusetts or United States stock at the present time, and uses them under the above rule, that he will pay 120 dollars for what will avail him in circulation, only 100 dollars. The stocks of the other New England States are small in amount, some not having any, and the stocks of New York are all appropriated to the uses of their own banking system. As to the cities and the towns of the Commonwealth, though a few of them at present have stocks, it is not to be presumed that they will have permanent debts. It is not possible, therefore, to obtain a sufficient amount of the prescribed stocks to secure the present amount of circulation in the State, viz.: \$21,172,367. And this circulation must increase with the growing demands of business. But it may be said, that all that is required at present is a sufficient amount of stocks to cover the circulation that may flow from such new capital as may be granted, and that the amount required by the whole circulation of the State will only be wanted some twenty years hence, when the charters of the banks are about to expire. But by that time, will have expired, also, the stocks themselves relied on by the law. A considerable portion of the Massachusetts stock is payable in a few years, and the whole in eighteen. One-half of the New York stocks are redeemable in ten years, and the whole in fifteen. One-fourth of the United States stocks are redeemable in five years, and the whole in fifteen. Massachusetts and the United States are anticipating the maturity of their stocks as fast as they can. And this work is carried on by the United States, with the surplus in her treasury, with rapidity, and the following statement, taken from a daily paper, will show to what embarrassment it leads:—

“One of the provisions of the New York Free Banking Law is leading to an embarrassing result. There are now in deposit, at the comptroller's office in Albany, \$1,783,000 of United States five per cent. stocks, as security for the bank issues of various banks established under this law. The secretary of the treasury has given notice that the interest on these stocks will stop on the 1st of July next, and also that the

holders, on the transmission of their certificates to the treasury, at any time previous to the 1st of July, may receive payment at once of the principal, with interest up to the date of the receipt of the certificate at the treasury. The advance payment would be an advantageous operation, in the present state of the money market, but the certificates cannot be withdrawn from their present place of deposit, without a substitute in New York stocks, which can be obtained only at an extravagant price, and in small amounts."

It is evident that the first step in the organization of the system, viz., the procurement of stocks to secure the circulation of the State, cannot be taken. We therefore say that the system is not feasible.

(3.) But if the state of the market were such that this large amount of stocks could be obtained at their par value, there are yet to be stated the gravest objections to the system.

1. The security proposed for the circulation is temporary in its nature; none of the stocks mentioned in the bill, having more than half the period of a generation of men to run: whereas, circulation should have a basis more commensurate with the life of a State.

2. As no one supposes that our own State, or cities, or towns will furnish any considerable portion of these stocks, we must take the bank capital now affording business facilities to the community, and go to foreign states and leave it there in exchange for stocks. The loan of so much capital to foreign states, every dollar of which is so much wanted in our banking operations, would operate unfavorably upon the State, and upon the country part of it with great severity.

The present bank capital being in round numbers \$43,000,000, and the circulation \$21,000,000, half the means of the banks to furnish loans would be withdrawn. The capital of the 105 country banks being \$18,000,000, and their circulation \$13,000,000, about three-quarters of their capital would be withdrawn from the business in which it is now engaged.

3. These stocks, when obtained and deposited according to the law, do not furnish so good a currency as our present system

provides. The value of a currency consists in its immediate convertibility into specie at the will of the holder, not on the fact that the bill may be secured by a mortgage, which will, in time, perhaps, after a law-suit, bring him the specie, but whether the holder can, at any time, for the asking, have his bill redeemed. The bank promising to pay, on demand, needs to be in constant readiness to fulfil its promise, and it is obvious that a bank with its capital guardedly invested in a commercial loan that is being paid back upon its counter every day, is in a more eligible situation to pay its own promises, than it would be, if a large portion of its capital were wrapped up in stocks, and stowed away in the pigeon-holes of the State Auditor. The stocks may be good, but they are out of the reach of the promisors for their present wants. Delay in payment is a failure to fulfil the promise, and affects the currency as injuriously as doubt about its ultimate security.

4. Though our law of 1851 does not include in its list of pledges, mortgages of real estate, the system, if adopted, will lead to the adoption of that species of security. The difficulty of obtaining a supply of public stocks and the urgency of land holders would probably induce the legislature to admit, as other legislatures have done, mortgages of real estate, to pay the amount of circulation. A proposition, to this effect, is now before the committee. This has been found to be the most objectionable form of security for circulation. Lands in some localities are as fluctuating in their value, as any species of property. The laws of New York have placed in the hands of the Comptroller all possible defences against deception on the part of those who offer them as pledges, and yet that officer complains that the law is constantly evaded, by which heavy losses accrue to bill-holders. Report Superintendent, Bank Department, 1853, page 52.

But this report is already too long to dwell further upon objections to the proposed new system of banking. It is claimed that it has worked well in the State of New York, where it was established in 1838. Of the banks first established under the law, 29 failed, 23 of which failed to redeem their circulation, which was \$1,122,545. The pledges were sold

according to law, and the avails paid only an average of 70 per cent. of the circulation.*

But it is said that poor stocks were first admitted, and that the law has since been improved by the exclusion of all stocks but those of New York and the United States. The law still allows, however, the pledge of mortgages of real estate to half the amount of the circulation. And in two recent cases of failure, (the James Bank and the Bank of New Rochelle,) their pledged bonds and mortgages were sold at a loss, one of 28, and one of 41 per cent. upon the amount for which they were pledged. See Rep. Superintendent Banking Department of 1853, page 49. From the best knowledge we can obtain, there has been no loss by holders of Massachusetts bank bills, for the last forty years, that approaches the losses above described. The system is used to establish banks mainly for circulation. Men in the city of New York, possessed of stocks, establish banks in the remote parts of the State, in the name of an agent, issue bills, and have them redeemed in New York, by another agent, that the law requires, at $\frac{1}{4}$ per cent. discount; then, issue again, and this process of issue and redemption at a discount, is said to be effected many times in the same day. This abuse of banking privileges has proceeded so far under similar laws of Illinois and Indiana, that their legislatures, as reported by the papers, have recently repealed the laws. The issues of the New York banks are not current throughout their own territory, and this fact is recognized by their laws, which authorize the banks to redeem their bills at commercial centres, at $\frac{1}{4}$ per cent. discount. The committee think, therefore, that the Free Banking System provided by the law of 1851, even if it could be put in operation, should not supplant the present banking institutions of the State. Believing, however, that the law provides tolerable security for bills that may be issued under it, and that it yields

* The stocks of the twenty-nine failed banks were sold by the Comptroller to provide for their circulation, and we annex a summary of the rates to show the loss on each kind.

\$449,000 Indiana stock sold for \$220,381, or 49 08-100 of their pledged value; \$239,000 Illinois stock sold for \$117,323, or 49 13-100 of their pledged value; \$176,000 Alabama stock sold for \$56,142, or 71 06-100 of their pledged value; \$66,000 Michigan stock sold for \$48,047, or 72 75-100 of their pledged value; \$138,350 New York sold for \$122,571, or 88 59-100 of their pledged value; \$497,988 bonds and mortgages sold for \$285,261, or 69 92-100 of their pledged value.—See *Comptroller's Report of 1846*.

the boon so long and loudly called for by some people, viz. : the privilege of free banking, the committee adhere to the opinion expressed in their brief report of February 14th, that the law should stand for the use of those who choose to resort to it.

A more important practical question is, can our present system be expanded to meet the wants of the petitioners, without harm to the public good? It certainly cannot, if its present circulation be in the plight represented in the minority report of our two associates before alluded to; that is, that our bank bills are "without any security to the public that they will be redeemed." The public has always believed that it takes pretty good security for the redemption of the circulation by the code of laws that it prescribes to banks; and that opinion is so prevalent now, that probably no man in Massachusetts, out of her Lunatic Hospitals, excepting our minority associates, would utter such folly. Our circulation, confided in and sought for all over the Union, is not an accident, but the legitimate product of good legislation.

The circulation of all the banks is \$21,172,369, and it rests on the following securities:

The capital stock of the banks which, though not invested in "state stocks," is still liable for the circulation,	\$43,270,500
Stockholders individually liable for as much more,	43,270,500
Paper on which circulation was paid out,	21,172,369
	<hr/>
	\$107,713,369

Over five dollars of our securities for one of circulation, we think, would yield the bill-holder as much, in case of failure of a bank, as the New York bond and mortgage security, dollar for dollar. But another fear seems to haunt our friends of the minority, that additional bank capital will only aggravate those terrible contractions and expansions in the currency, which they cannot abide; and they surely are bad things, but do not happen to be referable, in the opinion of the committee, to any given amount or increase of bank capital. To shorten our

report, we will omit an argument upon this point, and present a statement of our bank capital and circulation for the last fifty years, at brief intervals, to show that the issues of banks are governed by some other law than their amount of capital stock.

Years.	Increase of Bank Capital.	Increase of Circulation.	Decrease.
From 1803 to 1808, . .	\$3,934,738 00	—	\$527,149 00
From 1808 to 1813, . .	2,835,000 00	\$1,048,775 00	—
From 1813 to 1818, . .	854,275 00	493,640 00	—
From 1818 to 1823, . .	1,900,725 00	448,409 00	—
From 1823 to 1828, . .	7,687,800 00	755,879 00	—
From 1828 to 1833, . .	8,898,450 00	4,205,245 00	—
From 1833 to 1838, . .	5,393,750 00	1,511,402 00	—
From 1838 to 1843, . .	*	—	181,245 00
From 1843 to 1848, . .	1,895,200 00	3,976,762 00	—
From 1848 to 1850, . .	3,940,050 00	3,809,797 00	—
From 1850 to 1853, . .	6,345,450 00	4,166,541 00	—

The Boston banks have authority to circulate	\$30,825,000
They circulate only	8,304,591

\$22,520,409

All the banks in the State may legally circulate	54,088,125
Their actual circulation is	21,172,367

\$32,915,758

Here is an existing power in the banks to inundate us with a flood of thirty-three millions more of bank bills, and according to the reasoning of the minority, we are indebted to the charity

* Decrease, \$3,540,200.

of "the comparatively few gentlemen who would be benefited either as stockholders, or by the increased facilities to borrow money of these banks," for not hoisting the gates.

The bank capital of Maine is \$3,923,000; circulation, \$3,254,882, or nearly 100 per cent. of the capital; while the bank capital of Rhode Island is \$14,037,441, and circulation \$3,322,314, or only 23 per cent. of the capital.

It is evident, from these statements, that the amount of circulation does not depend on the amount of bank capital in existence, but that is governed by the business wants of the community. It does not keep pace with the advance of business, for the plain reason that it is used only in few, and those the smaller, commercial transactions. International commerce, for instance, is carried on without the use of bank bills or specie, except to settle balances. So with commerce between different emporiums in the same country, between neighboring cities, between men in the same city or town. As commercial transactions between men grow large, bank bills give way to the different forms of commercial paper, as means of affecting them. The whole circulation of Massachusetts would not suffice to transact the business of Boston one day.

The increase of business does not require that the banks should have further authority to issue bills, for they do not and cannot avail themselves of what they already possess, but it does require that they should have further capital stock, that they may furnish the additional facilities necessary to its successful prosecution. As the expansion of the circulation bears, in the opinion of the committee, scarcely any assignable proportion to a given amount of additional capital, and as the certain effect of additional capital upon the circulation will be, under our laws, to strengthen it by giving it more security, the committee recommend that more capital should be granted in cases where it seems to be clearly required, and for such cases, they have prepared bills which they herewith submit.

The committee have freely commended the present system of banking and the code of laws that govern it, and have treated its circulation as the best and safest of any now known in this country. The banks, however, are not beyond the reach of adversity. With men and other business corpora-

tions, they are on the high tide of business, and tempests, coming from distant quarters, may overwhelm them beneath the waters, without any fault of their own. Channels of trade, now full, may dry up; important departments of industry may be broken down; the earth may not yield its fruits, through unpropitious seasons; wars may dam up or reverse the great currents of trade; embargoes and non-intercourse may sweep commerce from the ocean;—and when the whole community is overwhelmed with embarrassment by events so great and controlling, in the commerce of the world, it is not expected that our banks will escape. They are not perfect, but they are the best we know how to establish. The leading duty of the government is to provide for the safety and convertibility of the circulation. This duty has been so well discharged that it seems to the committee almost impossible that bill-holders should suffer any loss when banks fail or when their charters expire.

For the Committee,

E. H. KELLOGG.









